

# OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

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In the Matter of: )  
 ) Docket No. N2006-1  
NETWORK REALIGNMENT (END) )

VOLUME #2

Date: July 18, 2006  
Place: Washington, D.C.  
Pages: 25 through 553

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## POSTAL RATE COMMISSION

In the Matter of: )  
 ) Docket No. N2006-1  
NETWORK REALIGNMENT (END) )

Hearing Room, Second Floor  
Postal Rate Commission  
901 New York Avenue, N.W.  
Washington, D.C.

Volume 2  
Tuesday, July 18, 2006

The above-entitled matter came on for hearing  
pursuant to notice, at 9:34 a.m.

## BEFORE:

HON. GEORGE A. OMAS, CHAIRMAN  
HON. DAWN TISDALE, VICE-CHAIRMAN  
HON. RUTH Y. GOLDWAY, COMMISSIONER  
HON. TONY HAMMOND, COMMISSIONER

## APPEARANCES:

On behalf of the United States Postal Service:

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Washington, D.C. 20260  
(202) 268-2998

C O N T E N T S

WITNESSES APPEARING:  
 PRANAB M. SHAH  
 DAVID E. WILLIAMS

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Pranab M. Shah	30	--	--	--	--
By Mr. Anderson	--	156 278	--	--	--
By Mr. Richardson	--	194 290	--	--	--
David E. Williams	343	--	--	--	--
By Mr. Anderson	--	504	--	--	--

<u>DOCUMENTS TRANSCRIBED INTO THE RECORD</u>	<u>PAGE</u>
Designated written cross-examination of Pranab M. Shah, USPS-T-1	33
Library Reference N2006-1/17, Optimization Modeling Report, OCA-1	247
Designated written cross-examination of David E. Williams, USPS-T-2	347
Response of David E. Williams to Postcom interrogatory, USPS-T-2-18	502
Response of David E. Williams to Postcom interrogatory, USPS-T-2-19	502

E X H I B I T S

<u>EXHIBITS AND/OR TESTIMONY</u>	<u>IDENTIFIED</u>	<u>RECEIVED</u>
Corrected direct testimony of Pranab M. Shah on behalf of the United States Postal Service, USPS-T-1	30	31
Designated written cross- examination of Pranab M. Shah, USPS-T-1	32	32
Library Reference N2006-1/17, Optimization Modeling Report, OCA-1	246	246
Written direct testimony of David E. Williams on behalf of the United States Postal Service, USPS-T-2	345	345
Designated written cross- examination of David E. Williams, USPS-T-2	346	346
Response of David E. Williams to Postcom interrogatory, USPS-T-2-18	501	501
Response of David E. Williams to Postcom interrogatory, USPS-T-2-19	501	501
Area Mail Processing (AMP) Proposal, APWU-1	517	--



P R O C E E D I N G S

(9:34 a.m.)

VICE CHAIRMAN TISDALE: Good morning. Today we are holding hearings to receive the testimony of Postal Service witnesses supporting the request for an advisory opinion in Docket No. N2006-1 concerning the Evolutionary Network Development service changes.

Two witnesses are scheduled to appear today. They are Witness Shah, USPS-T-1, and Witness Williams, USPS-T-2. Hopefully we will be able to complete cross-examination of both witnesses today, but if necessary we will continue these hearings tomorrow.

I have one preliminary caution. In a few instance protective conditions have been granted for the Postal Service responses. If anyone wishes to conduct cross-examination concerning materials subject to the protective conditions we will utilize special procedures to assure that sensitive information remains protected.

Does anyone have a procedural matter to discuss before we begin?

(No response.)

VICE CHAIRMAN TISDALE: Mr. Tidwell, would you identify the first Postal witness so I can swear him in?

1                   MR. TIDWELL: The Postal Service calls  
2     Pranab Shah to the stand.

3                   VICE CHAIRMAN TISDALE: Would you stand, Mr.  
4     Shah?

5                   Whereupon,

6                                 PRANAB M. SHAH

7                   having been duly sworn, was called as a  
8     witness and was examined and testified as follows:

9   (The document referred to was  
10                                        marked for identification as  
11                                       Exhibit No. USPS-T-1.)

12                                       DIRECT EXAMINATION

13                   BY MR. TIDWELL:

14                 Q     Mr. Shah, I've placed before you two copies  
15     of the document that has been designated for purposes  
16     of this proceeding as the Direct Testimony of Pranab  
17     M. Shah on Behalf of the United States Postal Service  
18     and designated as USPS-T-1.

19                   If you were to provide the contents of this  
20     document today, would it constitute your testimony?

21                 A     Yes.

22                 Q     Are there any changes you wish to make to  
23     the document at this time, or are you confirming that  
24     there are two minor errata that are reflected in this  
25     to correct typographical errors, and you're adopting

1       those changes to your testimony?

2               A       Yes, I am.

3               VICE CHAIRMAN TISDALE:   Mr. Chairman, the  
4       Postal Service would then move into evidence the  
5       testimony of Witness Shah.

6               VICE CHAIRMAN TISDALE:   Is there any  
7       objection?

8               (No response.)

9               VICE CHAIRMAN TISDALE:   Hearing none, I'll  
10      direct counsel to provide the reporter with two copies  
11      of the corrected direct testimony of Pranab M. Shah.

12              That testimony is received into evidence.  
13      However, consistent with Commission practice, it will  
14      not be transcribed.

15                                       (The document referred to,  
16                                       previously identified as  
17                                       Exhibit No. USPS-T-1, was  
18                                       received in evidence.)

19              VICE CHAIRMAN TISDALE:   Mr. Shah, have you  
20      had an opportunity to examine the packet of designated  
21      written cross-examination that has been made available  
22      to you in the hearing room this morning?

23              THE WITNESS:   Yes, I have.

24              VICE CHAIRMAN TISDALE:   If the questions  
25      contained in that packet were posed to you orally

1     today, would your answers be the same as you  
2     previously provided in writing?

3             THE WITNESS:   Yes, they would.

4             VICE CHAIRMAN TISDALE:   Are there any  
5     corrections or additions you would like to make to  
6     those answers?

7             MR. TIDWELL:   Presiding Officer, the Postal  
8     Service would note that we have amended the packet to  
9     include the errata that was filed yesterday.

10            VICE CHAIRMAN TISDALE:   Okay.   Would you  
11    please provide two copies of the corrected designated  
12    written cross-examination of Witness Shah to the  
13    reporter?

14            That material is received into evidence and  
15    is to be transcribed into the record.

16                                       (The document referred to was  
17                                       marked for identification as  
18                                       Exhibit No. USPS-T-1 and was  
19                                       received in evidence.)

20    //

21    //

22    //

23    //

24    //

25    //

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

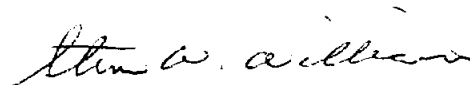
Evolutionary Network Development Service  
Changes, 2006

Docket No. N2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS PRANAB SHAH  
(USPS-T-1)

<u>Party</u>	<u>Interrogatories</u>
American Postal Workers Union, AFL-CIO	APMU/USPS-T1-5  APWU/USPS-T1-1-4, 6-8, 10, 19, 21-28, 31 APWU/USPS-T2-29-30 redirected to T1 VP/USPS-T1-5, 21-22
Association for Postal Commerce	PostCom/USPS-T1-19-21
Association of Priority Mail Users, Inc.	APMU/USPS-T1-1-6
Office of the Consumer Advocate	OCA/USPS-T1-1-8, 10, 12-16, 19-20, 21d, 23-34
Valpak Direct Marketing Systems, Inc. and Valpak Dealers' Association Inc.	VP/USPS-T1-1-13, 14d, 15, 17-22

Respectfully submitted,



Steven W. Williams  
Secretary

INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS PRANAB SHAH (T-1)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
APMU/USPS-T1-1	APMU
APMU/USPS-T1-2	APMU
APMU/USPS-T1-3	APMU
APMU/USPS-T1-4	APMU
APMU/USPS-T1-5	APMU, APWU
APMU/USPS-T1-6	APMU
APWU/USPS-T1-1	APWU
APWU/USPS-T1-2	APWU
APWU/USPS-T1-3	APWU
APWU/USPS-T1-4	APWU
APWU/USPS-T1-6	APWU
APWU/USPS-T1-7	APWU
APWU/USPS-T1-8	APWU
APWU/USPS-T1-10	APWU
APWU/USPS-T1-19	APWU
APWU/USPS-T1-21	APWU
APWU/USPS-T1-22	APWU
APWU/USPS-T1-23	APWU
APWU/USPS-T1-24	APWU
APWU/USPS-T1-25	APWU
APWU/USPS-T1-26	APWU
APWU/USPS-T1-27	APWU
APWU/USPS-T1-28	APWU
APWU/USPS-T1-31	APWU
APWU/USPS-T2-29 redirected to T1	APWU
APWU/USPS-T2-30 redirected to T1	APWU
OCA/USPS-T1-1	OCA
OCA/USPS-T1-2	OCA
OCA/USPS-T1-3	OCA
OCA/USPS-T1-4	OCA
OCA/USPS-T1-5	OCA
OCA/USPS-T1-6	OCA



VP/USPS-T1-11  
VP/USPS-T1-12  
VP/USPS-T1-13  
VP/USPS-T1-14d  
VP/USPS-T1-15  
VP/USPS-T1-17  
VP/USPS-T1-18  
VP/USPS-T1-19  
VP/USPS-T1-20  
VP/USPS-T1-21  
VP/USPS-T1-22

[illegible]



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU  
Revised: July 11, 2006**

**APMU/USPS-T1-1.** Please refer to page 14, lines 2-3 of your testimony where you state that "the Postal Service expects that service changes are likely to be most pronounced for First-Class Mail and Priority Mail."

a. Please explain why the Postal Service expects First-Class Mail and Priority Mail to experience the most pronounced service changes from the contemplated network realignment.

b. On the basis of all experience the Postal Service has had to date with its END models and the AMP process (e.g., as with the 10 modifications in LR-N2006-1/5), please state whether the preponderance service changes will be service improvements or service downgrades. In your response, please treat all earlier cut-off times for meeting existing service standards for Priority Mail as a service downgrade.

**RESPONSE:**

- a. This statement is based on the likelihood that most AMPs will occur between facilities that are in relatively close proximity to one another. Zone- based products will generally experience less pronounced changes, since the service standards for these products are distance-based. The changes that do occur will typically involve destination SCFs that happen to be located on the fringes of two different zones. In most cases, we would expect to see a balance between upgraded SCFs and downgraded SCFs because some SCFs will be closer to the gaining facility than they are to the losing facility.
- Service standards for Package Services mail are based on BMC area boundaries. It is safe to assume that most AMPs will not result in BMC service area changes. Accordingly, it is not expected that there will be many changes here either.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

38

Revised: July 11, 2006

**RESPONSE to APMU/USPS-T1-1 (continued):**

Changes in overnight area affecting Priority Mail, First-Class Mail, and local area Periodicals can be expected to be most pronounced. However, it is impossible to predict the magnitude since it cannot be predicted which AMP proposals will be developed by the field.

Deviations from these general expectations will no doubt occur in certain instances.

- b. END modeling cannot be used to predict whether the preponderance of 3-digit ZIP Code pair service changes that result from Area Mail Processing decisions will be upgrades or downgrades. Nor can it be used to determine whether decisions will be made to adjust cut-off times. I am informed that the 10 AMP decisions in Library Reference N2006-1/5, which only involve consolidations of originating operations that have no adverse service standard impacts, should not be regarded as a representative of the range of systemwide impacts.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

39

**APMU/USPS-T1-2.**

- a. Please confirm that all Priority Mail currently has a service standard of either overnight, 2-days, or 3-days. If you do not confirm, please explain what other service standard exists.
- b. Please confirm that, after any service changes in the existing network contemplated by the Postal Service have been implemented, all Priority Mail will have a service standard of either overnight, 2-days, or 3-day s, and that none will be 4-days or more. If you do not confirm, please explain.
- c. Will the Priority Mail service changes contemplated by the Postal Service in its network realignment have any effect in either increasing or reducing the "tail of the mail" with respect to Priority Mail that is not delivered within the stated service standard? That is, will the cumulative effect of the network changes discussed in your testimony have the predictable result of increased consistency in the delivery of Priority Mail? Please explain.
- d. Will the Priority Mail service changes contemplated by the Postal Service have any effect in either increasing or reducing attributable costs for Priority Mail (e.g., mail processing, transportation, delivery)? Please explain.
- e. Will greater emphasis on shape-based processing result in Priority Mail flats being processed with (i) First-Class flats, or (ii) Periodicals, or (iii) Standard flats? If so, how will the Postal Service prevent degradation of expedited service that Priority Mail flats are supposed to receive?
- f. Will greater emphasis on shape-based processing result in parcel-shaped Priority Mail flats being processed with (i) First-Class parcels, (ii) Periodicals, (iii) bundles of Standard Mail, and/or (iv) other parcels? If so, how will the Postal Service prevent degradation of the expedited service that parcel-shaped Priority Mail is supposed to receive?
- g. Please explain the extent to which the Postal Service contemplates maintenance of separate handling and a separate "network" for expedited items, as well as the extent to which the Postal Service contemplates merging expedited mail (Express Mail and Priority Mail) with items of the same shape from other classes of mail.
- h. Do either the END optimization models or the END simulation models make explicit provision for handling and transportation required to meet the service standards of expedited mail (i.e., Express Mail and Priority Mail)? Please explain.

**RESPONSE:**

- a. Confirmed.
- b. Confirmed.

**RESPONSE to APMU/USPS-T1-2 (continued):**

- c. After network changes are assimilated among all affected plants, it is expected that there will be an increase in the overall consistency of mail processing and delivery due to consolidation over a larger geography. This should result in a shorter service performance "tail".
- d. Our intention is for these changes to reduce costs within mail processing and transportation. The economies will generally result from greater efficiencies associated with the consolidation of mail processing facilities and elimination of redundancies within the transportation network. It is beyond the scope of my expertise and my testimony how such costs may be classified for ratemaking or other purposes.
- e. The merging of like-shaped products will mostly occur downstream from the destination processing facilities, a point after which the service standards can be considered essentially the same for all mail, except Express Mail which has specific time of day delivery targets. The extent to which other opportunities may be identified as network implementation occurs, these opportunities will be evaluated based on their capability to support the service standards of the class of mail with the more expedited standards involved in the merged mail flow.
- f. The concept of a parcel-shaped flat in this question is not clear. Please see the response to subpart (e).
- g. Please see the response to subpart (e).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF APMU**

41

**RESPONSE to APMU/USPS-T1-2 (continued):**

- h. Yes, expedited products are processed separately at origin and transported and processed at destination to meet existing service standards.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
TO INTERROGATORY OF APMU  
REDIRECTED FROM WITNESS SHAH**

42

**APMU/USPS-T1-3**

- a. Please describe all existing Priority Mail service guarantees, if any, and state whether and how the network realignment discussed in your testimony will change any existing Priority Mail service guarantees.
- b. Please describe all existing Priority Mail service objectives, if any, and state whether and how the network realignment discussed in your testimony will change any existing Priority Mail service objectives.
- c. Please describe all existing Priority Mail service commitments, if any, and state whether and how the network realignment discussed in your testimony will change any existing Priority Mail service commitments.

**RESPONSE**

- (a) There are no Priority Mail service guarantees.
- (b) It is the Postal Service's objective to delivery all Priority Mail within the applicable service standard.
- (c) Priority Mail service *standards* range from overnight to 3 days. In the absence of *guarantees*, there are no service *commitments*. Express Mail has guarantees and service commitments. Other mail classes, like Priority Mail, do not. These other mail classes have service *standards*. For a better understanding of these distinctions, please refer to PRC Op. C98-1. Putting aside the impossibility of breaking every employee of every old habit, postal policy is to avoid the use of the term *commitment* in reference to mail classes that do not have a *guarantee*.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
TO INTERROGATORY OF APMU  
REDIRECTED FROM WITNESS SHAH**

43

**APMU/USPS-T1-4.** Please refer to the following quotation from page 74 of the Postal Service's 2005 Comprehensive Statement on Postal Operations:  
Through 2005, Priority Mail has been measured by the Priority-End-to-End (PETE) system. However, in 2006 Priority Mail measurement will transition from PETE to the *Delivery Confirmation Priority Mail–Retail (DCPM-R)*, a scanning system similar to that described above for Express Mail. PETE will be modified and used as an external validation system, similar to the system used for Express Mail. The changes will reduce costs, improve operational consistency, and increase sample size. PETE reported results primarily for flat-shaped Priority Mail. DCPM-R will expand coverage to other Priority Mail shapes.

- a. Please explain how the Priority End-to-End (PETE) performance measurement system operated through 2005. As part of your explanation, please indicate whether (i) the time of deposit at collection boxes was keyed to precede posted pick-up times, and (ii) the time of deposit at Post Office windows was keyed to any particular cut-off time, or was simply made prior to closing.
- b. Please explain how the PETE performance measurement system will be changed in 2006. As part of your explanation, please indicate whether Priority Mail with delivery confirmation that is deposited in collection boxes will be scanned at the time of pick-up or after the mail is collected and returned to the originating post office.
- c. Please suppose that the consolidation of outgoing processing under network redesign results in moving back the cut-off times for next day and 2-day delivery being in affected locales (e.g., from 5:00 p.m. to 3:30 p.m.). Further, after the consolidation has been implemented, please assume that someone enters a piece of Priority Mail with delivery confirmation at the post office after 3:30 p.m. on, say, a Monday. Under the performance measurement system in effect in 2006, will that piece be recorded as Monday mail or as Tuesday mail, and how will the mailing customer know that the piece will not receive overnight or 2-day delivery as it previously did? Please explain.
- d. Does the Postal Service plan to have any performance measurement system for Priority Mail that does not utilize delivery confirmation and that is deposited in collection boxes? Please explain how the Postal Service plans to measure performance for all such Priority Mail.
- e. Please explain what an "external validation system" is and how PETE will be used in this role.
- f. Please explain how these changes will "reduce costs, improve operational consistency, and increase sample size." In particular, please explain what costs will be reduced, and why changing the method of sampling for performance measurement purposes is expected to improve operational efficiency. That is, what changes and improvements in operations are expected as a result of transitioning from PETE to DCPM-R?
- g. Please explain the DCPM-R system and how it will be used to measure service for overnight, 2-day and 3-day mail.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
TO INTERROGATORY OF APMU  
REDIRECTED FROM WITNESS SHAH**

44

**APMU/USPS-T1-4 (continued):**

- h. Please explain how and when the Postal Service will report DCPM-R results, as well as the extent to which statistics from DCPM-R will constitute a representative sample of performance for all Priority Mail.
- i. If it is known that Priority Mail performance is measured only for Priority Mail with delivery confirmation, will Priority Mail with delivery confirmation receive preferential handling over Priority Mail without delivery confirmation? Please describe how the Postal Service plans to prevent service degradation for that segment of Priority Mail for which performance is not tracked or measured.
- j. Please explain how the Priority Mail performance measurement system that will be in effect from 2006 can be used to ascertain whether changes in the postal network under the network realignment program have either improved or downgraded the actual service received by Priority Mail. In particular, does the Postal Service contemplate reporting separately performance data for locales that have experienced changes in service or service standards as a result of network realignment? If not, please explain how the Priority Mail performance measurement system that will be in effect from 2006 can be used to assure that network realignment in fact is producing the "promised" or "expected" results, at least with regards to Priority Mail. If the Priority Mail performance measurement system is not a means of tracking and providing accountability for network changes that are implemented, please explain how the Postal Service does plan to provide after-the-fact accountability to Priority Mail patrons in affected locales.

**RESPONSE:**

- (a) PETE was an end-to-end service performance measurement system; it measured identified Priority Mail performance from the time mail enters the mailstream until it is delivered to a household, small business or post office box. PETE measured service performance from a customer's perspective and produced accurate independent, externally generated results. Test Mail was inducted into the mailstream in collection boxes, over the counter in retail units, and in small businesses six days a week Monday through Saturday. The induction window began at 5am and ended 30 minutes prior to one the following situations: the last pick up time posted on the collection box,



**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
TO INTERROGATORY OF APMU  
REDIRECTED FROM WITNESS SHAH**

**RESPONSE to APMU/USPS-T1-4 (continued)**

- the last dispatch posted in the retail lobby, or the earliest time the carrier picks up the outgoing mail. PETE was designed to provide quarterly estimates of destinating Priority Mail service performance for the 80 Performance Clusters, encompassing 302 3-digit ZIP codes from their overnight and two day service areas. These networks represented about 70% of the nation's destinating, identified Priority Mail volume. PETE was an end-to-end service performance measurement system; it measured identified Priority Mail performance from the time mail enters the mailstream until it is delivered to a household, small business or post office box. PETE measured service performance from a customer's perspective and produced accurate independent, externally generated results.
- (b) See the response to subpart (d).
- (c) We do not expect the consolidation of outgoing processing to result in changes, particularly of the magnitude you suggest. However, if the situation you describe did occur in 2006 as you suggest, we would expect that the hypothetical local acceptance personnel would verbally inform the hypothetical customer of the expected delivery day. Nonetheless, the hypothetical piece would be recorded as Monday mail.
- (d) The Priority Mail Validation System (PMVS) will be used to measuring Priority Mail pieces without Delivery Confirmation. There will be two components to PMVS: Delivery Confirmation Priority Mail-Retail (DCPM-R) and Priority Mail

**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
TO INTERROGATORY OF APMU  
REDIRECTED FROM WITNESS SHAH**

**RESPONSE to APMU/USPS-T1-4 (continued):**

Comparison (PMC). DCPM-R Validation compares the delivery results of test mail to the stop-the-clock scan according to PTS. All pieces have delivery confirmation and are inducted over the counter (inside post offices). A match rate will be generated based on how often the PTS stop the clock scan matches the reporter's receipt date.

Priority Mail Comparison will measure on-time delivery performance for non-Delivery Confirmation Priority Mail, so that the Postal Service will be able to compare pieces with and without Delivery Confirmation. This component will has over-the-counter and collection box inductions. End-to-end scores will be generated for both the Priority Mail Comparison and DCPM-R, so that a comparison can be made between the two components.

- (e) An external validation system is service performance system operated by an entity other than the Postal Service, such as EXFC is and PETE was.
- (f) Using Priority Mail with Delivery Confirmation accepted at retail (DCPM-R) allows for the reduction in costs of hiring an independent agency to conduct sampling to measure service performance. DCPM-R involves more mail pieces than the PETE sample. Data on piece failures as provided by our Product Tracking System (PTS) allows for identifying opportunities for improvement and standardization of processes.

**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
TO INTERROGATORY OF APMU  
REDIRECTED FROM WITNESS SHAH**

**RESPONSE to APMU/USPS-T1-4 (continued):**

- (g) DCPM-R uses acceptance and delivery information from retail Priority Mail pieces for which Delivery Confirmation was purchased, in order to generate data from which it can be determined to what degree those pieces were delivered within applicable Priority Mail service standards.
- (h) DCPM-R will generate data for reporting on a quarterly basis. DCPM-R volume represents over 4 percent of total Priority Mail volume, which is significantly higher than the previous sampling volume through PETE.
- (i) The Postal Service has no policy of giving preferential treatment to Priority Mail pieces with Delivery Confirmation and is aware of no evidence that such treatment takes place. The Postal Service will continue to make clear to all processing and delivery personnel what they already know -- that the presence or absence of a Delivery Confirmation label has no bearing on the level of service that any mail piece is due.
- (j) Disaggregated 3-digit-specific Priority Mail service performance data derived from the Product Tracking System/DCPM-R and time-in-transit data derived from the Origin-Destination Information System can be used to assess whether changes have occurred in the level of Priority Mail service, but do not identify potential causes for those changes. Analysis of such data is an ongoing activity in the Postal Service. Such analysis is helpful in focusing attention on potential locations of mail processing or transportation bottlenecks that may be adversely affecting service and for examining the impact of operational

**RESPONSE OF UNITED STATES POSTAL SERVICE TO  
TO INTERROGATORY OF APMU  
REDIRECTED FROM WITNESS SHAH**

48

**RESPONSE to APMU/USPS-T1-4 (continued):**

changes implemented for the purpose of addressing a problem. Such diagnosis and responsive action can be expected to continue. The Postal Service has no plans for producing different sets of Priority Mail service performance or time-in-transit reports, based on whether particular 3-digit ZIP Code areas were the subject of an AMP consolidation or other operational changes.

**APMU/USPS-T1-5.** Please refer to your response to OCA/USPS-T1-12d, where you state that “[o]ne could expect to see somewhere in the neighborhood of 70 Regional Distribution Centers, each connected to its own cluster of some or most of the other facility types identified in Figure 3.”

Also, please refer to your response to APMU/USPS-T1-1a, where you state that “[s]ervice standards for Package Services mail are based on BMC area boundaries. It is safe to assume that most AMPs will not result in BMC service area changes. Accordingly, it is not expected that there will be many changes here either.”

In addition, please refer to the Attachment to your testimony, page 4, Package Services, the paragraph including the statement that “[t]he standards [for Package Services] are therefore predicated on the current BMC network.”

- a. Please confirm that the Postal Service currently has 21 BMCs. If you do not confirm, please provide the correct number.
- b. Please confirm that the Postal Service views the AMP consolidations as part of its evolutionary network development. If you do not confirm, please explain the role, if any, of such consolidations in the evolutionary network development as you envision it.
- c. Please confirm that END envisions most or all of the existing BMCs evolving into RDCs, and being among the 70 or so RDCs discussed in your response to OCA/USPS-T1-12d. If you do not confirm, please describe the future role of the existing BMCs in the postal network.
- d. If the existing 21 or so BMCs, whose service areas now cover almost the entire country, evolve into part of the future network of approximately 70 RDCs, please explain why you expect no service area changes for BMCs after they become part of the network of 70 RDCs.
- e. Please explain how you plan to do away with the BMC network while keeping in place the service standards for Package Services, which you state are based on the BMC network.

**RESPONSE:**

- a. Yes.
- b. Confirmed that the AMP process is used to implement some of the objectives of END.

**RESPONSE to APMU/USPS-T1-5 (continued):**

- c. We envision many current BMCs will transition to RDCs. However, the number of RDCs and the future network role of each current BMC has yet to be determined.
- d-e. The future RDC network will cover the same national network as the existing 21-BMC network. Although optimization modeling may suggest approximately 70 RDCs, the actual number of RDCs that get activated will depend on a number of variables outside of the model. The degree of individual BMC/RDC service area overlap will ultimately depend on the number of RDCs that are established. Operating plans for each RDC and the transportation links that get established between them will determine the extent to which there are changes in the Package Services service standards between 3-digit ZIP Code area pairs currently served by the BMC network.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTEROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS**

**APMU/USPS-T1-6.** Please refer to your response to APMU/USPS-T1-2e, where you stated: The merging of like-shaped products will mostly occur downstream from the destination processing facilities, a point after which the service standards can be considered essentially the same for all mail, except Express Mail which has specific time of day delivery targets. The extent to which other opportunities may be identified as network implementation occurs, these opportunities will be evaluated based on their capability to support the service standards of the class of mail with the more expedited standards involved in the merged mail flow.

- a. Will automatable letter-shaped mail, including Priority Mail, be merged at destination mail processing facilities, or will it be merged downstream from destination mail processing facilities?
- b. Please refer to the testimony of witness Joyce K. Coombs (USPS-T-44) in Docket No. R2006-1, and her discussion of the Flat Sequencing System ("FSS") at pages 7-8.
  - (i) Will flat-shaped Priority Mail be sorted to carrier-route using the FSS? If so, will flat-shaped Priority Mail be merged at destination mail processing facilities or downstream from destination mail processing facilities?
  - (ii) If it will not be handled on the FSS, how will flat-shaped Priority Mail be handled at destination mail processing facilities?

**RESPONSE**

- a. The merger of multiple classes will only occur at a point in the mail stream where the service commitments from that point to delivery are the same.
- b(i)-(ii). I am informed that we are still working out the details, and that it is too early to know.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T1-1.** On page 1 of your testimony, you state your purpose is to "provide an overview of the Postal Services' Evolutionary Network Development (END) strategy.

- a) Are END models the major tool used for the END strategy? If there are other tools, please identify them.
- b) Are all END decisions being initiated due to recommendations provided by END model runs? If not, what other avenues can lead to the initiation of a consolidation under the END program?

**RESPONSE:**

- [a] Yes.
- [b] No, the END models are decision support tools not decision making tools.  
  
The models provide recommendations, which are vetted through Local and Area analysis, which are also means by which consolidations may be initiated.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO**

**APWU/USPS-T1-2.** On page i of your testimony, you identify yourself as the Manager of Network Operations Development and identify the five major subgroups of that group.

- a) What is the purpose of the Network Modeling and Development sub group and what activities does it perform?
- b) What is the purpose of the Logistics Systems subgroup and what activities does it perform?
- c) What is the purpose of the Integrated Network Development subgroup and what activities does it perform?
- d) What is the purpose of the Business Opportunity Development subgroup and what activities does it perform?
- e) What is the purpose of the Logistics Quality Support subgroup and what activities does it perform?

**RESPONSE:**

- [a] Network Modeling and Development is a cross-functional team that is leading an unprecedented effort to model current distribution and transportation networks, simulate proposed scenarios, and establish an optimized network plan.
- [b] Logistics Systems is the bridge that integrates IT into the business, providing frameworks for organizing and understanding the myriad of operational details and information related to logistics services, transportation management, and cost control. Logistics Systems is the focal point for development of national data and transactional processing systems, establishing a central information source.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T1-2 (continued)**

- [c] Integrated Network Development works to refine and redirect expedited product networks and support tools to achieve service and growth objectives. This group provides strategic guidance in the development of infrastructure to supply operational data and information for network management. Integrated Network Development works to integrate logistics network capabilities with service standards, mail classification and pricing strategies.
- [d] Business Opportunity Development is responsible for understanding the needs of major customers in the mailing industry and working with the Marketing group to develop logistics services that better meet their needs. Business Opportunity Development also works with the larger transportation industry to recommend new logistics business opportunities, such as supply chain management services, and collaborative relationships to promote reliability and lower costs. [e] Logistics Quality Support works to ensure the integrity of Express Mail data and produces service performance and diagnostic reports vital to field users and managers. Logistics Quality Support has created and continues to expand and maintain a suite of diagnostic reports for the expedited products, Express and Priority Mail. This group works with major mailers to develop

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T1-2 (continued)**

service performance and diagnostics using the mail tracking service

known as Confirm.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T1-3.** On page 9 of your testimony you discuss the END modeling approach and the two different types of models involved.

- a) How many different END models are there? Please identify them.
- b) What types of computer software and hardware are used to run them?
- c) Please identify the primary sources of data used in each model and indicate how often those data are updated.
- d) Please provide a listing of all variables included in these models and a description of each variable.
- e) Which data produced from the AMP process are used in the END models?

**RESPONSE:**

- [a] There are two END models; the Optimization model is a custom solution developed using LogicNet software and the Simulation model is custom solution developed using ARENA Simulation software and standard Microsoft Access databases.

[b] Optimization Software:

- LogicNet Plus  
Version 3.1.14.4  
Copyright (C) 19952003 LogicTools, Inc.  
Commercial License with Solver  
Release Date 8/6/2003
- System Requirements LogicNet Plus:
  - RAM 256 MB minimum RAM is recommended
  - Pentium processor 1 GHz speed or faster is recommended
  - 5070 MB of hard drive space
  - Windows 98/ME/NT/2000/XP

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T1-3 (continued)**

Simulation Software:

- ARENA 5.0  
Copyright 2000 Rockwell Software, Inc.  
Microsoft Access Version 2000
- System Requirements ARENA:
  - Windows 98, Windows Me, Windows 2000 (Service Pack 3 or later),  
Windows Server 2003, or Windows XP (Service Pack 1 or later)
  - Hard drive with 75250 MB free disk space (depending on options  
installed).
  - Minimum 64 MB RAM (recommended higher, depending on  
operating system Windows XP recommended 128+ MB RAM).
  - Minimum Pentium Processor, 300 Mhz

Hardware utilized to run models:

Compaq Evo W8000 Intel ® XEO Dual Processor, CPU 2.00 GHZ

- 3.73 GB RAM
- 67.8 GB Hard drive

Compaq Evo W8000 Intel ® XEO ™ Processor, CPU 2.00 GHZ

- 3.9 GB of RAM
- 33.9 GB Hard Drive

HP Workstation XW8000 Intel ® Xenon ™ Processor, CPU 3.06 GHZ

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T1-3 (continued)**

- 3.12 GB of RAM
- 33.9 GB Hard Drive

[c] The data used to run each model is updated at a minimum annually.

Primary data sources include: ODIS, RPW, PSFR, EOR, MODS, TIMES, Service Standard Directory, PC Miler, and facility specific information collected through field survey.

[d] The primary variable for each model include:

Optimization:

- Feasible Paths – list of operationally feasible ZIP Code to processing facility and processing facility to consolidation center assignments.  
This list frames the possible alternatives to be evaluated within optimization.
- Available Capacity – The available square footage of a facility that can be utilized for mail processing.
- Required Capacity – The amount of equipment square footage required for the mail processing.
- Cost – The mail processing costs associated with a given amount of workload, as well as the fixed costs of a given facility.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T1-3 (continued)**

Simulation:

- Network Design – Predefined distribution concept and facility assignments.
- Service Standards – 3digit ZIP origin to 3digit destination ZIP Code service standards by mail class.
- Volume Arrival Profiles – The time mail is inducted into our mail stream for processing
- Workload – The expected amount of mail to be processed at each facility by operation
- 3digit Origin to 3digit Destination Volume Distribution – The percent distribution of mail flowing from 3digit Origin to 3digit Destination by product
- Capacity – Is made up of a number of facility specific factors including: the number and type of mail processing equipment and the associated throughputs and reject rates, mail flows to subsequent operations, material handling times, and detailed operation plans.
- Transportation – a set of network routings connecting the network facilities developed to ensure Critical Entry Times (CETs) are met.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T1-3 (continued)**

- Distances – Derived from PC Miler, the distance from a ZIP to a facility, as well as facility to facility.

[e] The AMP process does not produce data inputs for the END model. Implementation of AMP decisions can lead to network changes that can later be factored into the model.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T1-4.** On page 11 of your testimony you discuss the strategy of building a 'backbone' network infrastructure of Regional Distribution Centers (RDCs).

- a) Please provide a list of all current facilities that, based on current analysis, will become Regional Distribution Centers.
- b) If not all Regional Distribution Centers have been identified, list all current facilities that are being considered for use as Regional Distribution Centers.
- c) When do you expect to establish this backbone Regional Distribution Center network infrastructure?
- d) Will any Regional Distribution Centers not come from facilities already in the USPS' network? If so, where will they come from?

**RESPONSE:**

- [a] The location of all future RDCs has not yet been determined.
- [b] All major mail processing facilities are potential candidates.
- [c] It is estimated that it will take at least five years.
- [d] The primary objective is to better utilize existing infrastructure, however new facilities may be required as we move through the transition.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T1-6.** Other points in this redesigned network are identified as Local Processing Centers and Surface Transfer Centers.

- a) Please provide a list of current facilities that will, based on current analysis, become Local Processing Centers.
- b) Please provide a list of current facilities that may, based on current analysis, become Local Processing Centers.
- c) Please provide a list of current facilities that will, based on current analysis, become Surface Transfer Centers.
- d) Please provide a list of current facilities that may, based on current analysis, become Surface Transfer Centers.
- e) Will any facilities not currently in the USPS network become Local Processing Centers or Surface Transfer Centers? If so, where will those facilities come from?
- f) Please describe Multipurpose Centers and their role in the reconfigured network. Please provide a list of current facilities that will, based on current analysis, become Multipurpose Centers.

**RESPONSE:**

- [a] The location of all future LPCs has not yet been determined
- [b] All major mail processing facilities are under evaluation.
- [c] All Regional Distribution Centers in the future will act as Surface Transfer Centers. Transportation consolidation is a fundamental role of an RDC.
- [d] The location of all future STCs has yet to be determined.
- [e] The primary objective is to better utilize existing infrastructure, however new facilities may be required as we move through the transition.
- [f] The only multi-purpose facilities that will exist in the future will be those that perform both the Regional Distribution Center and Local Processing Center or Destination Processing Center role under one roof. The location of such facilities is not known at this time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T1-7.** What is your role in the decision making process related to END consolidations? Who makes the final decision for such consolidations?

**RESPONSE:**

I am responsible for developing network recommendations based on model, Area and local input. These recommendations are considered as part of the AMP review process. Under that process, the Senior Vice President, Operations, at headquarters, makes the final decisions.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T1-8** You state on page 14 of your testimony that at this time, "the Postal Service expects that service changes are likely to be most pronounced for First-Class Mail and Priority Mail."

On what is that expectation based? Have there been studies conducted on this topic? If so please identify those studies and provide them for the record.

Would it be correct to state that the service changes for First Class Mail will be mostly for collection mail or other First Class Mail that is not eligible for barcode or carrier route presort discounts?

**RESPONSE**

The expectation that service changes are likely to be most pronounced for First-Class Mail and Priority Mail reflects the collective wisdom of headquarters personnel who have been involved in implementing service changes resulting from the AMP reviews for decades. Mail processing and transportation changes of the type expected to result from the END initiative can be expected to have a greater impact on mail with shorter ranges of delivery expectations (e.g., 1-3 days) than on mail classes with longer ranges (e.g., 2-9 or 3-10 days).

The First-Class Mail service changes that occur for any particular 3-digit ZIP Code pair will apply uniformly to all First-Class Mail, irrespective of rate category.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION  
Revised: July 17, 2006**

**APWU/USPS-T1-10**

In a presentation to APWU officers and staff on February 14, 2006 the following facilities were identified as being assigned the indicated role in the new network. Please confirm that this information is accurate or provide corrected information for any facility pairings that are in error:

- a) Boston P&DC will remain a multi-purpose facility.
- b) Current BMCs will become RDCs, with the exception of Chicago where the Busse P&DC will become a RDC.

**RESPONSE:**

a&b) Confirmed, that these statements were made in the context of describing what the END models have suggested. However, to-date, no final decision has been made regarding the number and location of RDCs in the network.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**

Revised: July 11, 2006

66

**APWU/USPS-T1-19** In response to APWU/USPS-T1-6(c) and (d) you stated that all RDCs would become Surface Transfer Centers but could not provide a list of facilities that would become STCs because it had not been determined yet. In his presentation to MTAC on February 22, 2006, Mr. Vogel identified six new Surface Transfer Center Activations during 2006 (three to be activated on April 22, 2006, one to be activated on August 5, 2006 and two to be activated on October 30, 2006). In addition, Mr. Vogel indicated that fifteen HASP locations would become Surface Transfer Centers this year.

a) Have any facilities other than the ones identified by Mr. Vogel in his MTAC presentation, already been identified as Surface Transfer Centers? If so, please identify those facilities.

b) Of the six facilities identified by Mr. Vogel as being new STC activations, please describe what function those facilities had prior to their use as an STC. If they are brand new facilities please specify that.

**RESPONSE:**

- a. No.
- b. Three are new facilities; the other three are existing USPS facilities (a mail processing annex, a Logistics & Distribution Center, and a Bulk Mail Center) in which the new STC role will be housed.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION  
Revised: July 11, 2006**

67

**APWU/USPS-T1-21** On page 10 of your testimony you discuss the role of END and state "...it would be a mistake to say that the END model output will dictate or determine specific outcomes. Those decisions will be made in accordance with the principles and procedures described by witness Williams which take the END model outputs into consideration." Mr. Williams' testimony then describes the AMP process.

- a) Which of the new facilities being created will be determined by the AMP process? Will that only determine LPC/DPC conversions?
- b) Will RDCs be determined by the AMP process or will they be determined by what Mr. Vogel refers to as a "process that blends the principles of AMP with facility planning concepts"?
- c) If RDCs are not being determined by the AMP process, please identify the steps and procedures that are involved in the process to which Mr. Vogel is referring.
- d) Mr. Vogel also refers to RDC conversions as having a "detailed stakeholder communication plan." Please describe that communication plan and identify ways in which it differs for the communication plan that has been described for the AMP process.

**RESPONSE:**

- a) When the consolidation of all originating and/or destinating mail is required to affect the future role of a plant as an LPC or DPC, the AMP process will be utilized.
- b) An RDC planning concept document which blends the principles of AMP with facility planning concepts is being developed.
- c) The individual RDC concepts are based on END modeling output with refinement from operations subject matter experts. I am informed that the RDC planning concept document will include worksheets which, similar to the AMP worksheets, will contain an executive summary, provide for management concurrence, service information, workload/workhour data, mail processing equipment set, distribution changes, surface and air transportation impacts, etc.

RESPONSE to APWU/USPS-T1-21 (continued)

- d) Each RDC activation will present a unique set of communications challenges both internally and externally related to transitional activities over time. I am informed that an RDC Activation Communication Plan is under development will identify communications efforts required to support the initiation, development, and activation of an individual RDC, and of the RDC network as a whole. The AMP Communications plan focuses on specific communication requirements per the PO-408 Handbook AMP Guidelines, for notification of AMP Study initiation and outcome, to Worksheet #3 stakeholders for each individual AMP.



**APWU/USPS-T1-22.** With reference to the new NE Michigan facility and the new Oklahoma City facility recently approved by the Postal Board of Governors:

- a) Will both of those facilities be Postal owned? If not, why not?
- b) Will those facilities be built to a standardized footprint(s)?
- c) If so, is there an existing Postal facility or facilities that will be used as a model for that standardization?
- d) Please identify facilities that are used as such standardized models.
- e) If these facilities are not being built to a standardized footprint why not?

**RESPONSE:**

- (a) Yes.
- (b) While the exact OSL layout of each new facility will be unique, the objective is to create standardized mail flows and operational space requirements in our future new facilities.
- (c)-(e) This is to be determined.

**APWU/USPS-T1-23.** In general, how are facilities that have not yet been constructed handled in the context of the END models? Please include in your response not only the new processing facilities such as those mentioned above but also new Surface Transfer Centers and other types of facilities.

- a) How is the facility specific data such as volume, zip code assignments, workroom and platform square footage, workload and productivity and capacity determined and assigned in the model?
- b) Does the distribution concept used in the END models already make the assumption that these facilities will exist in a specific location or is there a process whereby the model indicates the need for a facility in a specific location?

**RESPONSE:**

- (a-b) New facilities that have not yet been constructed are not handled in the context of the END models. The model takes existing infrastructure points to specific location and quantities based on workload.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO**

71

**APWU/USPS-T1-24.** To clarify your response to APWU/USPS-T1-19 (b ), you state that three of the new Surface Transfer Centers identified by Mr. Vogel are new facilities:

- a) Are those facilities newly built by the Postal Service?
- b) If so, are those facilities built using a standardized footprint for such facilities?
- c) If these facilities are not newly built facilities, are they newly leased facilities? If so, will they be renovated to a standardized footprint?
- d) If these facilities are not newly built or newly leased please indicate in what way they are new to the Postal Service network.

**RESPONSE:**

(a)-(b) No.

(c) Yes.

(d) N/A

**APWU/USPS-T1-25.** In your response to APWU/USPS-T1-21 please clarify the following:

- a) Is there a currently used "RDC planning concept document" or is this document only in the planning stages now?
- b) Is this planning concept document primarily going to be used to plan the transition of a facility to an RDC facility after it has been decided that a facility will become an RDC or does it incorporate the process by which a decision is made about whether a facility should become an RDC?
- c) If it is the decision-making process and it is only now being developed, how have the RDCs that are already identified been determined?
- d) You refer to an "RDC Activation Communications Plan" that is currently under development. Will that plan be part of the Postal Service's recently announced "Public Input Process" communications plan (PIP) or are these separate communications plans?

**RESPONSE:**

- (a) The document is being developed.
- (b) This document is intended to be a network transition and implementation document.
- (c) While some candidate facility types have been identified as potential RDCs, the Postal Service has not yet determined which of those facilities will end up as RDCs.
- (d) I am informed that they will be separate.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO**

73

**APWU/USPS-T1-26.** Have the USPS' Postal Customer Councils been asked to provide input into the network plan in general? Are the Councils in cities where changes are planned been notified of those changes and their input sought?

**RESPONSE:**

No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO**

74

**APWU/USPS-T1-27.** The following document is from the web site the Postal Service maintains for the purpose of remaining in contact with the MTAC mailers. This particular document can be found at <http://ribbs.usps.gov/mtac.htm> and is called MTACRIBBS.doc:

As per an earlier agreement with MTAC Workgroup, Issue 60, the USPS office of Integrated Network Development will be posting advance notice of planned adjustments to First Class Mail Service Standards under the "File Libraries" link on the RIBBS Home Page (<http://ribbs.usps.gov/>). After clicking-on the "File Libraries" link (<http://ribbs.usps.gov/files/>), then an MTAC user can click-on the Service Standards link, which will then lead them to a page which will display links to all the files which have been posted in anticipation of First-Class Mail Service Standard changes.

This information is scheduled to be posted 30 days prior to the start of a Postal Quarter. If no Service Standard changes are anticipated, a "No Scheduled Updates" notice will be posted.

If any MTAC member would like to submit comments, or concerns, regarding any announced FCM Service Standard changes posted on this site, please submit your comments, within 10 days of the posting, by clicking-on the following Email link:

Email Comments to [servicestandards@email.usps.gov](mailto:servicestandards@email.usps.gov)

Thank You.

Integrated Network Development  
May 10, 2002"

- a) Is the office of Integrated Network Development, mentioned in this document, the subgroup of your office identified in your response to APWU/USPS T1-2 (c)?
- b) What is the role of this office in the END (formerly NIA) process?
- c) This document directs MTAC mailers to submit comments on First Class service standard changes as identified through this process. Are other mailers also allowed to submit comments through this mechanism?
- d) What happens to the comments that are received through this e-mail address?
- e) This document states that this information will be posted 30 days prior to the start of each Postal quarter yet the last posting was made on September 30, 2005. Please explain why these postings have not been updated since then.

**RESPONSE:**

- (a) Yes

**RESPONSE to APWU/USPS-T1-27 (continued):**

- (b) Integrated Network Development provides current baseline service standard information to END and assists in analysis of service standard impacts associated with AMP proposals, or other changes to the facilities in which mail is processed.
- (c) While only First-Class Mail changes are posted on the RIBBS site, Integrated Network Development would respond to anyone who writes to [servicestandards@email.usps.gov](mailto:servicestandards@email.usps.gov) with a legitimate Service Standards-related question. However, it should be noted that, since activation, such inquiries have been rare (although thousands of SPAM messages have been received at the site).
- (d) Depending on the topic, they would be forwarded to an appropriate functional area for research, but the inquirer would ultimately be responded to by Integrated Network Development.
- (e) There were no First-Class Mail Service Standard changes implemented January 1, 2006 (PQ 2-06). However, there were First-Class Mail changes implemented at the start of PQ 3-06 on April 1, 2006, which were not finalized until the day before implementation. The failure to post these changes on RIBBS was an oversight.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO**

**APWU/USPS-T1-28.** In your response to VP/USPS-T1-15, you state that there is no system in place for measuring service performance for Standard mail. How will your office and other management teams assess whether changes made through network realignment have an unacceptable negative impact on those classes of mail without formal performance measures?

**RESPONSE:**

In such circumstances, postal managers will have to rely, as they do today, on daily mail condition reports and mailer feedback.



RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO  
REDIRECTED FROM WITNESS WILLIAMS

77

**APWU/USPS-T2-29** Please provide a general explanation for the role facility productivity plays in making decisions about mail transfers in the END process and analysis.

**RESPONSE:**

Facility productivity plays a role in the development of the optimization models cost functions, as described in the response to VP/USPS-T1-5. In addition, facility productivities are used in the development of the optimizations capacity function per operation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION, AFL-CIO  
REDIRECTED FROM WITNESS WILLIAMS

78

**APWU/USPS-T2-30** Please describe the analysis that takes place in the AMP/END process to determine potential capacity constraints that may be faced by the receiving office within the time period necessary to meet their critical dispatch times.

- a) How are the peak volumes during the time periods needed to make the dispatches determined for each facility and type of machine?
- b) Which volume is used in running the simulations for these transfers? Is it average volume, a percentage of peak volume (if so what percentage), or peak volume?
- c) Is a calculation made as to how frequently the mail volume transferred will exceed the available capacity in the receiving office? If so, how is that reflected in the cost calculations?
- d) How is spare capacity determined for the machines and/or personnel at the receiving facility?
- e) Please provide an example of any worksheets or reports that are used in this analysis.

**RESPONSE:**

- (a) END models use volumes as a percentage of peak, calculated as averaged daily volume times 130% for all products. In addition, within the simulation model, arrival profiles are generated to depict the true availability of mail at each operation.
- (b) See the response to subpart (a).
- (c) Not within the END models.
- (d) Excess capacity is a function of available capacity vs. required capacity, both of existing equipment and the potential of adding additional equipment, should the facility have available square footage.
- (e) This analysis is internal to the simulation model and is not isolated in the form of specific reports.

Revised: April 10, 2006

**OCA/USPS-T1-1.** Your testimony discusses the Evolutionary Network Development (END) models as identifying potential facility and network realignment opportunities, at page 9, line 12, through page 10, line 20.

- a. Please explain the structure of the END model, including inputs, outputs, and functions/computations which it models.
- b. Given that the END model is a maximization/minimization model, what objective function is being maximized/minimized, in terms of variables and functional form.
- c. Please explain how the spreadsheets of AMP Handbook PO-408, used for applying an AMP review process, interface with the END program.

**RESPONSE:**

- a. See the response to APWU/USPS-T1-2.
- b. Maximize utilization of available capacity, minimize cost.
- c. See USPS-T-2 at 7-11. The PO-408 is a tool for conducting a detailed analysis of the operational changes and related cost impacts implied by a specific proposal to consolidate certain operations. The END model is used to test alternative local consolidation scenarios as part of a future network. These local END model outputs, in conjunction with additional facility-specific factors, are used in deciding upon a specific local consolidation proposal. That proposal is then subjected to the detailed PO-408 feasibility review process. The PO-408 Worksheets reflect the analysis of detailed facility-specific information beyond that utilized in the END model.

Revised: April 10, 2006

**OCA/USPS-T1-2.** Please turn to your testimony, page 6 lines 19 to 23. You discuss excess capacity.

- a. How would one determine the level of excess capacity, excess transportation, or redundancy of operations?
- b. Has the Postal Service analyzed the level of excess capacity in the network, and what are the cost implications of the excess capacity?

**RESPONSE:**

- (a) One would analyze the utilization of the total available machine and transportation capacity that exist as a result of our current class-based networks in order to determine the existence of potential excess capacity. For example, in one metro area, a First-Class Mail parcel may be processed in a local P&DC, a Priority Mail parcel in a local Logistics & Distribution Center, and a Standard Mail parcel in a Bulk Mail Center. Assuming that the shape of the parcels and their automatability is relatively the same, redundancies can exist where less than fully utilized class-based operations and transportation are established.
- (b) The Postal Service uses the AMP process as a means of evaluating the cost of excess capacity at the local level.

OCA/USPS-T1-3. Please turn to your testimony, page 9, lines 14 through page 1, line 11. Please explain further the differences between the optimization and simulation approaches.

- [a] Are the approaches substitutes for each other or, alternatively, are they used concurrently or sequentially?
- [b] Assuming that the answer to (a) is sequentially, please provide details on how the results from the optimization approach are a substitute, input, alternative, or factor for consideration in the simulation modeling effort.
- [c] Please show the similarities and differences of output from the two approaches.
- [d] Please explain where the two approaches are consistent and/or inconsistent with a benefit-cost approach.

**RESPONSE:**

- (a) Sequentially.
- (b) The optimization model outputs suggest the facility roles and ZIP Code assignments for a given distribution concept. These roles and assignments are then used as inputs into the simulation to further test the feasibility of the network design with more site specific information.
- (c) The objective function of the optimization model is to maximize utilization of available capacity, thus minimizing cost. The simulation simply tests the feasibility of the network design. It does not make decisions based on cost.
- (d) As described in response (c) the objective function of capacity utilization and cost minimization used in optimization model is used as an input to the simulation model. The simulation model further tests the feasibility of this proposed optimal solution. Hence, these seemingly different approaches in actuality tend to complement each other in the form of a complete network solution.

**OCA/USPS-T1-4.** Please explain specifically and separately, how END was used in the process of deciding to consolidate each of ten facilities contained in USPS-LRN2006-1/5: Pasadena, CA P & DC; Olympia, WA P & DF; Waterbury, CT P & DF; Bridgeport, CT P & DC; Greensburg, PA Post Office; Monmouth, NJ P & DC; Northwest Boston, MA P & DC; Kinston, NC P & DF; Marysville, CA P & DF; Mojave, CA Post Office. Provide all of the documentation reflecting END was used in the Decision making process for each of the ten facilities listed above.

**RESPONSE:**

END modeling outputs were compared with the individual AMP proposals and each proposal was found to be consistent with our future network design. As a result, the AMP feasibility studies in USPS Library Reference N2006-1/5 were commenced.

**OCA/USPS-T1-5**

The USPS Transformation Plan Progress Report, November 2004 at page 9, states:

Efforts to create a flexible logistics network to reduce costs, increase overall operational effectiveness, and improve consistency of service, formerly called Network Integration and Alignment, continues as an evolutionary process. This effort, now more accurately called Evolutionary Network Development, currently focuses on a proposed bulk mail center (BMC) retrofit transition effort.

- a. Does the Network Integration and Alignment (NIA) process continue to function? If so, please explain how it differs from the END strategy. Please confirm that the description of the NIA presented above shares the same objectives and policies you describe about the END strategy at page 1 of your testimony. If you do not confirm, then please explain fully any differences between END and NIA.
- b. If END is essentially a new incarnation of NIA, then what significance is there in describing the overall effort as an "Evolutionary Network Development" strategy as opposed to a "Network Integration and Alignment?"
- c. If NIA still exists, what activities are currently being performed under NIA?

**RESPONSE:**

- a-c. The NIA process has been re-named to END (Evolutionary Network Development), as the new name reflects the evolutionary network development process the Postal Service has adopted. Both processes use the same methods, data, and models for designing the Postal Services' future network strategies. Additionally the core objectives of both NIA and END remain the same.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE  
Revised: July 17, 2006**

**OCA/USPS-T1-6**

At page 2 of your testimony, you refer to the mail distribution system as a "series of overlapping, single-product networks." Please list each distinct single-product network to which you refer.

**RESPONSE:**

Please refer to the Figure 2 Key/Legend, which describe each of these product specific network linkages. If necessary, refer to an electronic version of the testimony which contains a color copy of the chart.



**OCA/USPS-T1-7**

Please refer to your testimony at page 3, lines 1-2.

- a. What kind of facility is a "distribution center for Periodicals?"
- b. How many such Periodicals distribution centers are active across the United States?
- c. Please provide a listing of the locations of the Periodicals distribution centers.

**RESPONSE:**

(a-c) The referenced discussion in USPS-T-1 on page 3 at lines 1-2 is meant to illustrate the lack of standardization in mail processing and distribution operations for specific mail classes. A variety of multi-purpose facilities in the current network, such as P&DCs, BMCs, and annex facilities, are used as "distribution centers for Periodicals," depending on the level of mail preparation and makeup. My testimony should not be interpreted as suggesting the existence of facilities uniquely designed for Periodicals processing.

**OCA/USPS-T1-8**

At page 2 of your testimony, you mention 450 facilities that process and transport mail. Please break down that figure (450) into the number of:

- a. Processing and Distribution Centers (P & DCs)
- b. Logistics and Distribution Centers (L & DCs)
- c. Hub and Spoke Program facilities (HASPs)
- d. Airport Mail Centers (AMCs)
- e. Area Distribution Centers (ADCs)
- f. Automated Area Distribution Centers (AADCs)
- g. Bulk Mail Centers (BMCs)
- h. Other types of facilities (list each discrete type)
- i. Are remote encoding centers (RECs) included within the 450-facility figure?
- j. What is the number of RECs?
- k. Is the phrase "Sectional Center Facility (SCF)" still used by the Postal Service? If so, please explain how the SCF label fits in with the types of facilities you picture in Figure 1 on page 3 of your testimony.
- l. Throughout Library Reference LR-N2006-1/5, facilities are sometimes referred to as P & DCs and at other times as P & DFs. What is the difference between a P & DC and a P & DF?
- m. Please identify/describe the differences among P & DCs, P & DFs, L & DCs, ADCs, and AADCs.

**RESPONSE:**

- a. 269
- b. 11
- c. 14
- d. 79
- e. This is not separate facility type; these are network roles assigned to Processing and Distribution Centers (P&DC).
- f. This is not separate facility type; these are network roles assigned to Processing and Distribution Centers (P&DC).
- g. 21

**Response to OCA/USPS-T1-8 (continued)**

- h. 65 supporting annexes
- i. No
- j. 12
- k. Yes. SCF is an alternative designation given to certain P&DCs.
- l. The core function of the Processing & Distribution Centers and Processing & Distribution Facilities are the same. Both facilities serve as primary processing centers, transfer points, and transportation hubs for all classes of mail originating and destinating within a pre-defined local service area. The differences are *facility-specific and pertain to equipment types used at each plant.*
- m. For definitions, please see footnote 2, page 3 of USPS-T-1 and the *Glossary of Postal Terms*, which was submitted to the PRC as USPS Library Reference N2006-1/1.

**OCA/USPS-T1-10**

Please turn to your testimony at page 5, Figure 2, where you illustrate the current network complexities, and your testimony at page 12, Figure 3, Network Simplification. It is our understanding that in addressing network redesign the Postal Service is attempting to move from the type of situation portrayed in Figure 2 to a simplified network as portrayed in Figure 3. Please confirm this understanding. If you do not confirm, please explain your response in detail.

**RESPONSE**

As with the current network, the future network is not expected to resemble a mosaic of identical facility clusters. It is confirmed that Figure 3 is intended to reflect the types of facilities and functions that will populate the future network.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE  
Revised: July 17, 2006**

**OCA/USPS-T1-12**

Please explain how the facilities and network identified in Figure 2 of your testimony, page 5, relate to your testimony on page 2, lines 13 through page 3, line 5.

- a. Please identify overlapping, single product networks and how they would be consolidated or eliminated.
- b. Please identify excess capacity in Figure 2, as could be inferred from the discussion in lines 16 through 19 of page 2 of your testimony.
- c. In simplifying the network, how many studies, simulations, or analyses would be necessary? Also provide specific details as to types of studies, possible content, and techniques.
- d. Please explain how the network could be expected to be structured after performance and implementation of studies discussed in (c).
- e. What would be the expected cost reduction from the implementation of the recommendations of an END or other study or studies performed on the network in Figure 2?

**RESPONSE:**

The mail processing and transportation infrastructure illustrated in Figure 2 is an example of how the mail distribution system has developed over the past several decades in a portion of the country. Some facilities have single-product responsibilities, some facilities have specialized network responsibilities.

- a) Figure 2 is an illustration of current network redundancies created by overlapping single-product networks. It is color-coded to show the overlapping class-based inter-facility mailflows and transportation networks. The END model may be used to help develop a different network configuration for analysis under the AMP process, which could assign different roles to existing processing and transportation facilities, in order to eliminate redundancies. The result could be more sharing of

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE**

**Revised: July 17, 2006**

**Response to OCA/USPS-T1-12 (continued)**

transportation by different mail classes and a greater emphasis on shape-based processing.

- b) Please refer to the response to subpart (a). It might be determined, for example, that the originating operations among a cluster of facilities, such as those depicted in the illustration, could be performed at fewer locations, utilizing less equipment and fewer workhours. As a result, operations could be relocated and equipment and/or personnel could be moved from one facility to another.
- c) The scope of network modeling and simulation is dependent on a number of specific factors such as complexity of the problem to be solved, availability of data, and objective functions. The END effort has used state of the art operations research, tools, and techniques, both in the form of Optimization and Simulation modeling. When all is said and done, the END model could be used to generate many thousands of simulations as various scenarios are considered for hundreds of AMP feasibility studies. I am aware that each AMP study goes through several levels of internal review before a final decision is made and that, after implementation, there are several rounds of post-implementation review.
- d) One could expect to see somewhere in the neighborhood of 70 Regional Distribution Centers, each connected to its own cluster of some or most of the other facility types identified in Figure 3.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE**

**Revised: July 17, 2006**

**Response to OCA/USPS-T1-12 (continued)**

- e) Cost savings from changes to the network are quantified as part of individual AMP study. It cannot currently be estimated what savings estimates will emerge from each of the numerous upcoming studies. Estimates can be expected to vary from AMP study to AMP study, based upon local variables.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE  
Revised: July 17, 2006**

**OCA/USPS-T1-13.** In your discussion of the Evolutionary Network Development (END) model, you mention the model as using "computer simulations as a tool in the development of more efficient and flexible mail processing and transportation networks that are better suited to current and future postal needs". At page 7, lines 6-8.

- a. Please describe the types of equipment, facility, and processing changes or modifications which you view as necessary to obtain "more efficiency and flexible mail processing and transportation...." in implementing the results of a restructuring study.
- b. Please furnish a case study of the application of the model, including computer inputs, outputs, assumptions, and conclusions.
- c. Please furnish the model and any instructions necessary to duplicate the work identified in (b) of this question.
- d. Please explain the effects, if any, on service standards.

**RESPONSE:**

- (a) The END project leverages the existing and planned capabilities of automation technology to achieve better economies of scale for the postal mail processing and transportation network. Where necessary, the END models recommend the need to invest in new facility infrastructure based on future network requirements.
- (b) Please review the case study reflected in the last several slides in USPS Library Reference N2006-1/9.
- (c) A detailed description of the simulation model inputs was provided in response to Question 15 of Presiding Officer's Information Request No. 2. A detailed description of how they are utilized is reflected in USPS Library Reference No. N2006-1/9.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE  
Revised: July 17, 2006**

**RESPONSE TO OCA/USPS-13 (continued):**

- (d) The END process attempts to maintain existing service standards to the greatest extent possible; however, there will be instances where the model will recommend changing current service standards to achieve an optimal network national solution. Any such changes to existing services standards are evaluated as part of individual AMPs.

**OCA/USPS-T1-14**

Please turn to your testimony on page 8, lines 1 through 5. Please describe in detail the nature of the interactive process involving Headquarters and affected Area Offices.

**RESPONSE:**

The interaction between HQ and Area Offices as regards to the END process is iterative in nature. The first step involves the END models producing an optimal national network solution without being subject to site-specific local operational constraints. These model-generated outputs are then reviewed with Area Office and District/local subject matter experts. Their feedback on site-specific operational, logistical and customer issues is used to run site specific simulations. These simulations test the feasibility of the proposed network solution and are used in gaining consensus both at Area and Headquarter Offices.

**OCA/USPS-T1-15.** Please turn to your testimony on page 9, lines 4-8, where you discuss service. Please explain factors which could cause service standards to increase or decrease.

**RESPONSE:**

Factors include, but are not limited to, changes among processing plants in the responsibility for specific 3- digit ZIP Codes service areas. Changes in the location of destinating mail processing functions could cause increases or decreases. Surface drive time is a factor in determining whether certain First-Class Mail could end up with either a 2-day or a 3-day service standard. For instance, assume that First-Class Mail destined for Plant A from certain 3-digit ZIP Code origin areas has a 3-day standard. The consolidation of Plant A's operations into adjoining Plant B, which is 60 miles closer and within the reasonable reach of surface transportation from these points of origin, could reduce drive times so that the service standard could be reduced to 2 days. On the other hand, if the service standard was originally 2-day and the consolidation resulted in former Plant A's destinating mail being driven to Plant B, which is 60 miles farther away from origin, beyond the reasonable reach of surface transportation, and sufficiently reliable air transportation were deemed not to be available, the service standard could shift from 2 days to 3 days.

**OCA/USPS-T1-16.** Please turn to your testimony at 11, lines 20-22. Please explain how the Surface Transfer Centers (STCs) will provide consolidation opportunities beyond those which are currently available.

**RESPONSE:**

The STCs will act as consolidation points for those mail processing facilities with insufficient volume to generate fully-utilized surface transportation assets.

**OCA/USPS-T1-19**

Please confirm that on February 8, 2006, the Postal Service issued News Release No. 06-008, that included the announcement: "The Board approved the redirection of funds toward the development and testing of a Flats Sequencing System (FSS) which will allow the sequencing of larger mail pieces in delivery point order."

- a. If you are unable to confirm the News Release, please explain.
- b. Please indicate whether or not the results of the testing of the FSS will impact consolidations.

**RESPONSE**

- (a) Confirmed.
- (b) When the FSS program is far enough along to generate a reliable quantifiable basis for estimating the impacts, it will be integrated into the future mail processing network.

**OCA/USPS-T1-20**

The Greensburg, Pennsylvania Post Office is one of the facilities whose originating operations will be consolidated into a Processing and Distribution Center (P&DC - Pittsburgh). What is the number of post offices that are potential candidates for some consolidation into a P&DC?

**RESPONSE**

In theory, all post offices that perform automated sorting operations that could be moved upstream to a P&DC are potential candidates for consolidation as a part of routine AMP review. It is impossible to estimate how many such proposals the END initiative may generate.

**OCA/USPS-T1-21.** At pages 9-10 of your testimony, you briefly describe the optimization models used in the Evolutionary Network Development (END) process which continues as an evolutionary process the Network Integration and Alignment program as discussed in OCA/USPS-T1-5. Please provide a complete mathematical description for each type of optimization model, including the following items:

- a. Specify and briefly define each constant or variable used in the model, using mathematical notation as necessary (e.g.,  $V_{ijk}$  might be the volume of class  $i$  mail originating in area  $j$  and destined for area  $k$ ). For each variable (or set of similar variables), specify: a) whether it is used as an input variable, a decision variable, or an output variable; b) whether the variable is discrete or continuous; and c) what range of values the variable can take.
- b. Specify the objective function to be optimized by the model, in equation format (using the variables and constants defined above).
- c. Specify the constraints used in the model, as equations and/or inequalities (using the variables and constants defined above).
- d. Specify the mathematical method used to find the optimal solution (e.g., linear programming, integer programming) and provide a reference for that method in the technical literature.

**RESPONSE:**

(a-c) Objections filed.

- (d) The method employed is mixed integer programming. For more about this method, please consult: Laurence Wolsey and George Nemhauser, *Integer and Combinatorial Optimization*, Wiley-Interscience, 1<sup>st</sup> edition (November 15, 1999) ISBN: 0471359432.

**OCA/USPS-T1-23.** Please confirm that the consolidation of various facilities such as BMCs and HASPs into approximately 70 RDCs will be nationwide in scope. If not, please explain.

**RESPONSE:**

The current END plan is to create a nationwide network of RDCs. The specific number is yet to be finalized.



**OCA/USPS-T1-24.** Please refer to your response to your testimony at page 11 stating, "RDCs will consolidate parcel and bundle distribution to take advantage of shape-based efficiencies." Please also refer to your response to APMU/USPS-T1-1a stating that "[s]ervice standards for Package Service mail are based on BMC area boundaries." Please confirm that the consolidation of various facilities such as BMCs, and HASPs into approximately 70 RDCs will impact services for various classes of mail, for instance, package services. If not, please explain.

**RESPONSE:**

As any BMCs are converted into RDCs, there will be a site specific evaluation of whether service area boundaries are affected and whether any service standard changes should be considered. Even if no service standard changes are implemented, it is not outside the realm of possibility that temporary adverse service impacts could occur as operations are adjusted.

**OCA/USPS-T1-25.** Please refer to the response to APWU/USPS-T1-21 which discusses the future RDC conversion process and indicates that, "An RDC planning concept document which blends the principles of AMP with facility planning concepts is being developed.

- a. Please confirm that the RDC planning document will differ from the AMP documents included in LR-N2006-1/5.
- b. Please confirm that the AMP process is used in connection with END to consolidate the originating and/or destinating mail processing at plants which will be LPCs (local processing centers) or DPCs (destination processing centers).
- c. Please confirm that the RDC planning concept document will be used to study the consolidation of facilities such as BMCs and HASPs in a particular region after implementing outgoing mail consolidations, using the AMP process, at the originating and/or destinating mail processing facilities in that same region. If you do not confirm, please explain.
- d. When will the RDC planning concept document blending the principles of AMP with facility planning concepts be completed and ready for application?
- e. When will the RDC Activation Communication Plan now under development be completed and ready for implementation?
- f. Please explain when the Postal Service plans to apply for the first time the RDC planning concept document.
- g. When completed, please provide samples of the RDC planning concept document and the completed RDC Activation Communication Plan.

**RESPONSE:**

- a-b. Yes.
- c. The planning document is not a study, it is an activation plan.
- d-g. The documents are undergoing the final stages of internal development and review for utilization later this year. As soon as the documents are finalized, copies will be filed as Library References.

**OCA/USPS-T1-26.** Please refer to your responses to APWU/USPS-T1-6c indicating that all RDCs in the future will act as Surface Transfer Centers (STCs) and that transportation consolidation is a fundamental role of an RDC. Also, please refer to the interrogatory APWU/USPS-T1-19 indicating three new STCs were to be activated on April 22, 2006.

- a. Have those STCs been activated? If so, when. If not, please explain.
- b. Are any of these activated STCs now considered RDCs? Please explain.
- c. If the three new STCs are considered to be RDCs, please explain how the Postal Service was able to determine their feasibility as RDCs without using a document like the RDC planning document still under development.

**RESPONSE:**

- a. Not yet. I am informed that the first two are now expected to be activated in June.
- b. No, these STCs are stand alone Surface Transfer Centers. They are temporary and designed to consolidate the network transition. Eventually, they will all migrate to become RDCs.
- c. No.

**OCA/USPS-T1-27.** Please provide a sample copy of the output produced from a run of the END optimization model that led to one of the plant consolidations listed in either USPS-LR-N2006-1/5 or USPS-LR-N2006-1/6. If a sample copy of one of those runs is unavailable, please provide a sample copy of a current run of the optimization model. Include in your response a description of the outputs. All names and/or identifying characteristics may be redacted.

**RESPONSE:**

The output was the identification of the opportunity.

**OCA/USPS-T1-28.** Please provide a sample copy of the output produced from a run of the END simulation model that led to one of the plant consolidations listed in either USPS-LR-N2006-1/5 or USPS-LR-N2006-1/6. If a sample copy of one of those runs is unavailable, please provide a sample copy of a current run of the simulation model. Include in your response a description of the outputs. All names and/or identifying characteristics may be redacted.

**RESPONSE:**

Please refer to the last several slides in Library Reference N2006-1/9.

**OCA/USPS-T1-29.** Please refer to your response to OCA/USPS-T1-13. In the response to OCA/USPS-T1-13(a) you state, "Where necessary, the END models recommend the need to invest in new facility infrastructure based on future network requirements." Please explain the way in which the models "recommend" the need to invest. For instance, do models actually list the optimum facility capacity at a known address for each current location and the processing equipment needed for optimum efficiency at each location, or does the output of the models merely list the optimum network configuration at some unknown location to be determined for optimum efficiency and volumes of the various mail classes that would be processed at that unknown location if the system is optimized, after which management must determine the facility location and the amount of equipment necessary to process the volume of mail "recommended" by the END models?

## **RESPONSE**

The desired objective of the modeling is to utilize existing infrastructure as much as possible. In order for the model to solve for when required capacity exceeds available capacity, a very costly expansion variable can be used by the model.

The current approach is designed to force the model to search for less expensive solutions first. Should the model return a solution requiring that an existing facility be expanded beyond its current capacity, that is an indication that an expanded or new facility may need to be considered. The models list the optimum facility capacity at a known address for each current location and the processing equipment needed for optimum efficiency at each location.

**OCA/USPS-T1-30.** Please refer to the response to OCA/USPS-13(d) where you state "there will be instances where the model will recommend changing current service standards to achieve an optimal network."

- a. Please explain exactly how the output of the model expresses the recommendation to change current service standards. For instance, does the output actually list the new service standards for only those 3-digit ZIP Code pairs that will be different if the network recommended is implemented or does it list the service standards for all 3-digit ZIP-Code pairs impacted by the analysis, whether or not modified.
- b. Does the model recommend changing current service standards for any class of mail other than First-Class? If so, what other mail classes do the recommendations cover?

**RESPONSE:**

- a. The results of the simulation model will indicate the performance of the proposed network developed by the optimization model. This performance can be used to determine which service standards could be considered for adjustment.
- b. No the model does not recommend changes, the resulting are an impact of the proposed network. See my testimony at pages 13-14

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

**Revised: July 12, 2006**

**OCA/USPS-T1-31.** Please refer to OCA/USPS-T1-27. The interrogatory requested a sample copy of the output produced from a run of the END optimization model that led to one of the consolidations in LR-L-N2006-1/5 or 6 or, if not available, a current run with redactions of names and identifying characteristics. The response, "The output was the identification of the opportunity" does not respond to this interrogatory. It is neither a copy of the output nor the alternative, nor does it provide an understanding of the manner in which the output is presented. That is, what is the output (the exact language) that identifies the opportunity. This follow-up interrogatory is to again request a copy of the output of the optimization model in order to determine the extent of the information available to the Postal Service after running this part of the END model.

**RESPONSE:**

The output was described in USPS-L/R-9, the Technical Conference slides.

Attached is an example of how the optimization output is presented.



## Solution Summary

Description	Data
Scenario Name	GeneratedScenario_20050619
Solution Name	solution1
Solver Run Time	01:28:07
Optimization Gap	53.91%
Run Type	Minimize Cost
Profit = Revenue - Cost	XXXX
Income received by meeting demand	XXXX
% of demand satisfied	XXXX
Number of Warehouses Picked	XXXX
Number of Primary Warehouses Picked	XXXX
Number of Warehouses Used	XXXX
Number of Pre-Existing Warehouses	XXXX
Number of Active Plants	XXXX
Number of Pre-Existing Plants	XXXX
Number of Plants Picked	XXXX
Number of Plants Used	XXXX
Number of Active Lines	XXXX
Number of Pre-Existing Lines	XXXX
Number of Lines Picked	XXXX
Number of Lines Used	XXXX
Number of Active Customers	XXXX
Customers With Demand	XXXX
Number of Active Products	XXXX
Products With Demand	XXXX
Number of Fixed Plants	XXXX
Number of Fixed Lines	XXXX
Number of Fixed Warehouses	XXXX
Number of Potential Plants	XXXX
Number of Potential Lines	XXXX
Number of Potential Warehouses	XXXX
Number of Potential Plants Picked	XXXX
Number of Pre-Existing Plants Picked	XXXX
Number of Potential Lines Picked	XXXX
Number of Pre-Existing Lines Picked	XXXX
Number of Potential Warehouses Picked	XXXX
Number of Pre-Existing Warehouses Picked	XXXX
Number of Secondary Warehouses Picked	XXXX
Minimum Warehouses	XXXX
Maximum Warehouses	XXXX
Minimum Primary Warehouses	XXXX
Maximum Primary Warehouses	XXXX
Minimum Secondary Warehouses	XXXX
Maximum Secondary Warehouses	XXXX
Maximum Plants	XXXX
Minimum Plants	XXXX
Minimum Lines	XXXX
Maximum Lines	XXXX
Sub-Structure Enhancements Enabled	XXXX
Standard Enhancements Enabled	XXXX
Weighted Avg Dist from Plant to Plant	XXXX
Weighted Avg Dist from Warehouse to Plant	XXXX
Weighted Avg Dist from Plant to WH	XXXX
Weighted Avg Dist from WH to WH	XXXX
Weighted Avg Dist from WH to Cust	XXXX

## Solution Summary

Currency	\$
Model Time	yr
Transit Time	wk
Units	items
Inv Volume	sq ft
Trans Volume	sq ft
Weight	lbs.
Miles or Km	Mile
Plant to Plant Shipping Cost	XXX
Plant to Warehouse Shipping Cost	XXX
Warehouse to Warehouse Shipping Cost	XXX
Warehouse to Customer Shipping Cost	XXX
Warehouse to Plant Shipping Cost	XXX
Warehouse to Plant Var/Hold Cost	XXX
Warehouse to Warehouse Var/Hold Cost	XXX
Warehouse to Customer Var/Hold Cost	XXX
Duty/Tariff Cost	XXX
In Transit Holding Cost	XXX
Production Cost	XXX
Plant Fixed Cost	XXX
Warehouse Fixed Cost	XXX
TOTAL COST	XXX

	COST
<b>COST DESCRIPTION</b>	
Plant to Plant Shipping Cost	XXXX
Plant to Warehouse Shipping Cost	XXXX
Warehouse to Warehouse Shipping Cost	XXXX
Warehouse to Customer Shipping Cost	XXXX
Warehouse to Plant Shipping Cost	XXXX
Warehouse to Plant Var/Hold Cost	XXXX
Warehouse to Warehouse Var/Hold Cost	XXXX
Warehouse to Customer Var/Hold Cost	XXXX
Duty/Tariff Cost	XXXX
In Transit Holding Cost	XXXX
Production Cost	XXXX
Plant Fixed Cost	XXXX
Warehouse Fixed Cost	XXXX
TOTAL COST	XXXX

## Warehouse Solution

ID	Warehouse	Status	Type	WH Size	WH SI
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	
26030	LPC Facility-RDC Facility	Potential	Secondary	XXXX	

ID	Warehouse	Fixed Opening Cost	Fixed Operating Cost
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX
26030	LPC Facility-RDC Facility	XXXX	XXXX

Plant Summary

ID	Plant	Status	Units	Shipping Cost	Product
X	LPC Facility-RDC Facility	Potential	XXXX	XXXX	
X	LPC Facility-RDC Facility	Potential	XXXX	XXXX	
X	LPC Facility-RDC Facility	Potential	XXXX	XXXX	
X	LPC Facility-RDC Facility	Potential	XXXX	XXXX	

Line Summary

Plant ID	Plant Name	Line ID	Line Name	Li
X	LPC Facility-RDC Facility	X	Plant XX-LPC-Regular Capacity	
X	LPC Facility-RDC Facility	X	Plant XX-LPC-Feasibility Capacity	

ID	Product Name	Production Cost	Units Produced	Plant>Plant Shipping Cost	Plant>Plant In Transit I
1	LPC	XXXX	XXXX	XXXX	
2	RDC	XXXX	XXXX	XXXX	

Customer ID	Customer Name	Product ID	Product Name	Demand	Demand Satisfied	Demand Requir
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X
XXX	Zip-XXX	X	LPC	XXX	XXX	X
XXX	Zip-XXX	X	RDC	XXX	XXX	X



Time Period Summary

Time Period ID	Time Period	Plant to Plant Transportation Cost	Plant to Warehouse Transportation Cost	W
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1	Entire span	XXX	XXX	
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**OCA/USPS-T1-32.** Please refer to the response to APWU/USPS-T1-23. The response indicated new facilities not yet constructed “are not handled in the context of the END models.”

- a. Please explain the meaning of one sentence of the response, “The model takes existing infrastructure points to specific location and quantities based on workload.”
- b. Please confirm that the END model will not provide detailed guidance necessary for determining the locations of new RDC facilities not yet constructed.
- c. Please confirm that a computer model different from the END model, if any, will be utilized to determine the location, size and other characteristics of RDCs not yet constructed.

**RESPONSE:**

- a. The sentence relates to the END model determining the capacity required at an existing infrastructure point at an existing location based on the amount of workload require to be processed. See the response to OCA/USPS-T1-29.
- b-c. It is confirmed that the END models do not determine the sites where new RDCs would be constructed. Identification of potential RDCs among existing facilities is a function of optimization modeling, based on model inputs designed to represent general RDC characteristics. These same inputs would be used in guiding the designing any newly constructed RDCs.

**OCA/USPS-T1-33.** Please refer to your response to APWU/USPS-T1-25(b) in which you indicate the "RDC planning concept document" is "a network transition and implementation document" rather than one in which a decision is made about whether a facility should become an RDC.

- a. What document(s) will be used to determine whether a facility should become an RDC?
- b. Please provide the document(s) if they have not already been provided in this proceeding.

**RESPONSE:**

- a. The END model is used to identify potential RDCs, based on existing the facility inventory. The ultimate decisions as to which existing facilities should become RDCs, or whether new RDCs should be constructed, will be made by postal management, based upon its judgments regarding the needs of the postal network. An iterative process of Headquarters and Area level consultations among senior postal managers will ultimately determine which facilities become RDCs. The RDC planning concept document will resemble the AMP Worksheets. Once a decision is made to designate a particular facility as an RDC, then a series of Worksheets will be completed to identify changes that would result from activation of that RDC: identification of its service area and subordinate facilities; shifts in workload, volume, equipment and employees to the RDC; changes in related surface and air transportation; changes in DMM labeling lists; and any changes in service standards currently applicable to affected 3-digit ZIP Code pairs.

**RESPONSE OF THE UNITED STATES POSTAL SERVICE  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

120

**RESPONSE to OCA/USPS-33 (continued):**

- b. There is not expected to be any document outlining that a facility specifically meeting criteria "A through Z" becomes an RDC, while a facility only meeting criteria "A through T" does not.

**OCA/USPS-T1-34.** Please refer to APWU/USPS-T1-24(c). Will newly leased facilities be renovated to a standardized footprint?

**RESPONSE**

Every new facility will be renovated to standardized requirements and the layout will reflect standard mail flow concepts. However, the actual layouts and footprints of the buildings will vary on the basis of building configuration differences and distinct operational needs of each building.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF POSTCOM**

**POSTCOM/USPS-T1-19.** What assumptions is the Postal Service making, in its END modeling about the drop ship quantities that are anticipated at each of the facility types in the future network? Does the Postal Service anticipate any change or redistribution of drop entry volumes as a result of the change in and number of drop locations from the current BMCs and SCFs to their corresponding future facilities? Please explain.

**RESPONSE**

For modeling purposes, it was assumed that all DBMC drop ship volumes would become DRDC drop shipments, and that DSCF drop ship volume would be split between DRDC and DPC entry. Changes in the volume of mail dropped at individual drop entry points are anticipated if the number and location of such entry points change. I am informed that the Postal Service has not attempted to forecast overall changes in drop entry volumes that might result from possible changes in the number of or location of drop entry points.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF POSTCOM**

**POSTCOM/USPS-T1-20.** In your March 30, 2006, response to OCA/USPS-T1-12(d), you indicated that the Postal Service intends to establish approximately 70 Regional Distribution Centers.

- a. Please confirm that Standard Mail currently prepared for BMC destination entry is presorted for entry to approximately 29 dBMCs. If you cannot confirm, please identify the current number of facilities that receive dBMC entered Standard Mail.
- b. Has the Postal Service considered the likelihood that changes in presort of mail precipitated by the changes in the network may affect the ability of a mailer that currently enters mail at the dBMC to meet eligibility requirements to destination enter mail in a future network of approximately 70 RDCs ? If so, what are the Postal Service's expectations regarding the affected mailer's mailing practices in the future network?
- c. Has the Postal Service explored the idea of an RDC functioning as an intermediate drop entry location and permitting pallets for multiple RDCs to be dropped at one location and cross-docked at a commensurate destination entry rate? If the Postal Service has explored this idea, has it reached any conclusions? If the Postal Service has not explored this idea, will it do so?

**RESPONSE:**

Please see the Docket No. R2006-1 response to PSA/USPS-T42-1, which indicates that the number of RDCs has yet to be determined and may range between 28 and 100.

- a. Confirmed.
- b. Yes. If the network change results in more than 29 RDCs, the Postal Service does expect some destination entry volume to move upstream to the origin RDC. However, whether the Postal Service decides to establish approximately 70 RDCs remains to be seen.
- c. The Postal Service is evaluating a number of alternatives to minimize this impact. No conclusion has been reached at this time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF POSTCOM**

**POSTCOM/USPS-T1-21.** In your testimony at page 6, you state that "the Postal Service must continue to change its mail processing network in ways that better recognize such factors as the economies inherent in shaped-based processing and transportation".

- a. Does the Postal Service contemplate or envision separate shape-based networks? If so, please describe the extent to which these networks overlap (including the extent to which such networks do not overlap).
- b. Does the Postal Service contemplate that different destinating DPCs may handle mail destined for the same DDU, depending on the shape of that mail?
- c. Do the END Model's cost functions contemplate the changes in transportation costs related to the transportation of mail volumes between DPCs and DDUs? Please explain.

**RESPONSE:**

- a. No, while network vision assigns single piece letter and flat processing LPCs and DPCs and parcel and bundle processing to RDCs, this is envisioned as one integrated network.
- b. At this time, there are no plans for a DDU to be serviced from multiple DPCs.
- c. The END model does include transportation cost from the DPCs to the population centroid of each associated 3 digit.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

125

**VP/USPS-T1-1.** Please refer to your testimony at page 9, lines 14-17, where you discuss optimization models used in the Evolutionary Network Development ("END") modeling approach.

- a. Do the optimization models all use the same objective function? If not, how many different objective functions are used?
- b. Is service, service quality, or some variant thereof, ever used as an objective function? If not, please explain why not.

**RESPONSE:**

- a. Yes
- b. No. service standards are used as constraints within the model.

**VP/USPS-T1-2.** Please refer to your testimony at page 9, lines 18-21, where you discuss simulation models used to conduct "what if" scenarios in the END modeling approach.

- a. Has the Postal Service conducted any simulations designed to study WHAT the transportation requirements would look like IF destination entry discounts were to be offered to bulk First-Class Mail?
- b. If any such simulation has been conducted, please explain whether such discounts would be expected to have a substantial impact on the postal transportation network. If no such simulation has been conducted, please explain why not.

**RESPONSE:**

- a. The END models have not been used to evaluate this alternative.
- b. No simulation has been conducted. The objective of END to this point has been to re-align the network under existing rates and classifications.

**VP/USPS-T1-3.** At page 11 of your testimony (ll. 10-12), you state that "[c]urrently, packages are often processed on separate networks based on their class (i.e., Standard Mail in one location and Priority Mail in another)." Does this statement mean that the Postal Service is contemplating joint processing of Standard Mail packages together with Priority Mail flats and packages? If not, please explain what it does mean.

**RESPONSE:**

The Postal Service may or may not process multiple package classes together.

The decision would be based on operating plan and applicable service standards.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

128

**VP/USPS-T1-4.** Please refer to your testimony at page 2, line 10, where you state that "over 450 facilities process ... mail each day...." Of the 450 facilities to which you refer, how many are P&DCs?

**RESPONSE:**

Please refer to the response of OCA/USPS-T1-8.

**VP/USPS-T1-5.** Please refer to your response to APWU/USPS-T1-3(d), where you state that each optimization model includes "Cost — The mail processing costs associated with a given amount of workload, as well as the fixed costs of a given facility." Also, please refer to library reference USPS-LR-N2006-1/7 (General Accountability Office Audit Report, GAO-05- 261), Highlights page, chart titled "Total Pieces Handled per Person per Hour in Processing Plants for Fiscal Year 2004," showing extremely wide variations both within plants of a similar size, as well as between plants of different sizes.

- a. Do any of your optimization models include the actual productivity and costs for individual facilities? Please explain what they include with respect to actual costs as indicated by the GAO data.
- b. If your optimization models do not contain actual costs and productivities for individual facilities, please explain (i) how you can hope to consolidate mail to the more efficient facilities, and away from the less efficient facilities, and (ii) what is being optimized under circumstances where you use "averages" that may be totally inapplicable to the facilities in question.

**RESPONSE:**

- a. The cost functions within the optimization were based on shape-based cost functions that predict how costs will change under different facility configurations. The methodology mirrors the existing product cost methodology used by Finance for production of the Cost & Revenue Analysis report. The END cost functions are based on the cost equations used by USPS.Finance Department for product costing and are developed on the basis of a 7-year history at different facilities. The structural equations account for wage changes, productivity trends, network responsibilities, amount of equipment and plant-specific effects. The functions are shape-based, and include both direct and allied operations, measuring the relationship between hours and piece handlings. They are developed based on creating a linear approximation of the structural equations by finding the marginal cost solution for input into the

**RESPONSE to VP/USPS-T1-5 (continued)**

optimization model. This is then reconciled to actual accounting costs from the Postal Service Financial Reports (see the response to OCA/USPS-T1-9) to account for costs that cannot be directly attributed to the cost pools modeled.

- b. (i-ii) The objective of the optimization is to achieve economies of scale by maximizing the utilization of available capacity. The cost functions are designed to represent the fixed and variable cost of specific mail processing operations in three size categories small, medium and large. The model will maximize the utilization of larger facilities given the incremental cost of adding volume to a large operation is less than a small and medium operation.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

Revised: July 10, 2006

**VP/USPS-T1-6.**

Please refer to your testimony at page 13, lines 3-4, where you discuss "the preservation of current service standard definitions."

(a) Please define the following service-related terms as they are currently used by the Postal Service and, if they are not synonymous, explain all critical differences between them:

- i. service standard
- ii. service commitment
- iii. service guarantee
- iv. service objectives (see DMM Section 243.3.1.1)

(b) Please identify and define any other service-related term currently used by the Postal Service.

(c) Please identify which of the above service-related terms are explicitly incorporated in (i) the END optimization models, and (ii) the END simulation models discussed in your testimony.

**RESPONSE:**

(a)(i) Please review the definition of "service standard" already provided in

USPS Library Reference N2006-1/1, at (hard copy) page 107.

(ii) In light of PRC Op. C98-1, postal policy is to regard those "service standards" with service guarantees as "service commitments."

(iii) A "service guarantee" is an explicit promise to refund postage in the event of a failure to meet an applicable service commitment.

(iv) As is the case in the referenced DMM section, the term "service objective" is a commonly used synonym for "service standard."

(b) Other terms that are commonly used in lieu of "service standards" include: "service expectations" and "delivery standards." There is no postal catalogue listing every commonly used synonym. Notwithstanding the response to subpart (a)(ii), many postal employees find it difficult to break

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK

132

Revised: July 10, 2006

RESPONSE to VP/USPS-T1-6 (continued):

the habit of using such terms as "delivery commitments" or "service  
commitments" in references to mail classes other than Express Mail.

(c) Service standards.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

**VP/USPS-T1-7.**

(a) Your testimony, at page 4, lines 6-8, notes that "the volume of Standard Mail now exceeds First-Class Mail and the proportion of mail drop shipped into the postal network in downstream locations continues to increase." Please explain the extent to which any of the END models mentioned in your testimony explicitly incorporate the volume, flows and service attributes of Standard Mail.

(b) Please identify how each of the following service-related terms apply to Standard Mail. That is, please identify and explain all critical differences between the following service attributes as they apply to Standard Mail, and identify which terms are explicitly incorporated in (i) the END optimization models, and (ii) the END simulation models discussed in your testimony.

- i. **service standard**
- ii. **service commitment**
- iii. **service guarantee**
- iv. **service objectives** (see DMM Section 243.3.1.1)
- v. any other service-related term identified in response to VP/USPS-T1-6(b).

**RESPONSE:**

(a) The latest RPW volume for each class is used within the models along with the latest billing determinants and mail characteristic studies which describe where and at what preparation level mail is entered into the network.

(b) See the response to VP/USPS-T1-6.

**VP/USPS-T1-8.**

Please assume that the Postal Service encountered a problem (e.g., a strike or work stoppage) obtaining regular ocean transport of Standard Mail to Hawaii or Alaska.

- (a) Please explain how **service standards, service commitments, service guarantees, or service objectives** work with respect to Standard Mail in this hypothetical situation.
- (b) Do the Postal Service's **service standards, service commitments, service guarantees, or service objectives** for Standard Mail require that alternative methods of transportation (e.g., by air to Hawaii, or by air or truck to Alaska) be used in order to meet any of these standards, or may Standard Mail be warehoused, for example, in California or Washington without a constraint imposed by any service requirement until regular ocean transport resumes?
- (c) Are Alaska and Hawaii included in the END optimization models or the END simulation models mentioned in your testimony, or do those models focus exclusively on "the lower 48"?
- (d) Do any of the END optimization models or the END simulation models mentioned in your testimony make any provision for alternative network capacity for transporting Standard Mail in the event of work stoppages that affect ocean transport of mail to Alaska and Hawaii? Please explain.

**RESPONSE:**

- (a) The service standards would not change under these circumstances.  
  
However, depending on the expected duration of such a strike, it is possible we would attempt to discuss alternatives at the time of acceptance.
- (b) There are currently no such requirements, but we would expect that the disposition of such mail would be discussed with our customers.
- (c) Yes, they are modeled.
- (d) No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

135

Revised: July 10, 2006

**VP/USPS-T1-9.**

- (a) Please confirm that the Postal Service's former *Glossary of Postal Terms* (dated January 1981) defines service standards as "Commitments on dependability and timeliness of mail service that the public can expect for each class of mail."
- (b) Please confirm that the Postal Service's **current** *Glossary of Postal Terms* (<http://www.usps.com/cpim/ftp/pubs/pub32.pdf>) defines **service standard** as "A stated goal for service achievement for each mail class."
- (c) Please explain:
  - (i) the difference between the two definitions set out in preceding parts a and b, and
  - (ii) how the current definition applies to (or is used in) the END models and the AMP process with respect to First-Class and Standard Mail. In particular, please explain whether service standards for First-Class and Standard mail are incorporated in the objective functions, or included in the models as variables or constraints.

**RESPONSE:**

- (a) Confirmed.
- (b) Confirmed. See USPS Library Reference N2006-1/1, at (hard copy) page 107.
- (c)(i) The latter is current. The former is obsolete.
- (ii) The END models use service standards as a constraint against which the model evaluates a given network's performance.

**VP/USPS-T1-10.**

- (a) Please confirm that the Postal Reorganization Act of 1970, as amended, provides no **service standard, service commitment, service guarantee, service objective**, or any other service-related term with respect to Standard Mail. If you do not confirm, please explain.
- (b) Please confirm that the Domestic Mail Classification Schedule ("DMCS") contains no discussion of **service standards, service commitments, service guarantees, service objectives**, or any other service related-term for Standard Mail. If you do not confirm, please explain.
- (c) Please confirm that the only reference to service regarding Standard Mail in the DMCS is Section 352, which provides that "Standard Mail may receive deferred service." If you do not confirm, please provide citations to all other DMCS references to service for Standard Mail. If you do not confirm, please explain.
- (d) Please confirm that with respect to Standard Mail the DMM is completely silent with respect to the existence of **service standards** and **service commitments**. If you do not confirm, please explain.
- (e) Please state whether any of the END models mentioned in your testimony incorporate any explicit **service standards** or **service commitments** for Standard Mail. If so, please indicate whether they are incorporated in the objective function or elsewhere, as constraints.
- (f) Unless your answer to preceding part e is to the effect that the END models make no explicit provision of any kind for **service standards** or **service commitments** for Standard Mail, please explain the source of any service standards or service commitments for Standard Mail that are included in any of the END models mentioned in your testimony.

**RESPONSE:**

- (a-c) I am informed that this is the case.
- (d) Not confirmed. I am informed that, while it does not use the highlighted terms, DMM section 243.3.1.1 references "service standards" by use of the common synonym "service objectives."

**RESPONSE to VP/USPS-T1-10 (continued):**

(e-f) Yes, the END Model uses the service standards for all mail classes, as published in the USPS Service Standards CD-ROM. A copy of the FY 2006 Q1 CD-ROM was filed as USPS Library Reference N2006-1/2.

**VP/USPS-T1-11.**

- (a) Please confirm that the only **service guarantee** offered by the Postal Service is for Express Mail, which promises a refund for pieces not delivered by the day and time guaranteed. If you do not confirm, please explain.
- (b) Do any of the END optimization models or the END simulation models mentioned in your testimony make any explicit provision that takes into account the **service guarantee** offered to Express Mail? Please explain.
- (c) Does the AMP process explicitly take into account the **service guarantee** offered to Express Mail? Please explain.

**RESPONSE:**

- (a) Confirmed
- (b) No, the network redesign should have no impact on Express Mail operations.
- (c) The AMP process assumes there will be no changes to Express Mail; i.e. that it will still be handled as it was previously.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK

139

Revised: July 10, 2006

VP/USPS-T1-12.

- (a) Please confirm that a previous version of the DMM in a section called **service objectives**, denied the existence of any **service guarantee** for Standard Mail.  
The USPS does **not guarantee** the delivery of Standard Mail within a specified time. Standard Mail might receive deferred service. Local postmasters can provide more information. [DMM, Edition 58, August 10, 2003, Section D600.1.0.]
- (b) Please confirm that the current DMM, in a section called **service objectives**, denies the existence of any **service guarantee** for Standard Mail.  
Standard Mail may receive deferred handling. **Service objectives** for delivery are 2 to 9 days; however, delivery time is **not guaranteed**. [DMM, January 6, 2005, Section 243.3.1.1 (emphasis added)]
- (c) Please explain the intention and effect of the change to the language now in DMM Section 243.3.1.1, from the previous version.
- (d) What sort of service-related information did or will local postmasters provide mailers about Standard Mail service, if they are asked?

**RESPONSE:**

- (a) Confirmed.
- (b) Confirmed, but the service standard range should have been listed as 3-10 days.
- (c) This is well beyond the scope of my testimony, but I am informed that an effort has been made to be more informative. The content of most of former section 243.3.1.1 has been moved to new section 243.3.1.3. Information in former section 243.3.1.1 has been replaced with more detailed information in new sections 243.3.1.1 and 243.3.1.2.
- (d) I am informed that such inquiries would be answered on a case-by-case basis, depending on the particular questions asked.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

Revised: July 17, 2006

**VP/USPS-T1-13.**

- (a) Please confirm that the last published edition of the National 5-Digit ZIP Code and Post Office Directory contains a one-page chart labeled "United States Postal Service SERVICE COMMITMENTS."
- (b)
  - (i) Please state whether any of the service commitments indicated in the chart identified in part a currently are operative.
  - (ii) Please identify which of the service commitments for the various classes of mail are included either in the END optimization models or the END simulation models mentioned in your testimony.
- (c) Please indicate the most recent publication date of the Postal Service's National 5-Digit ZIP Code and Post Office Directory.
- (d) Please confirm that the chart identified in part a indicates that the Postal Service has a "service commitment" to deliver Third-Class Mail (now referred to as Standard Mail) between the second and tenth day after acceptance.
- (e) With respect to Third-Class Mail (*i.e.*, Standard Mail), (i) please confirm that the chart referred to in part a indicates in the "Notes" section that "Mail entered at the Destination P&DC has a 2 & 3 day commitment," and (ii) please explain whether and how this commitment may change as a result of the network realignment discussed in your testimony.
- (f) Please confirm that the only discussion of **service commitments** for Standard Mail or for any class or subclass of mail in any Postal Service publication is in the National 5-Digit ZIP Code and Post Office Directory. If you do not confirm, please identify the other Postal Service publications where such a discussion can be found.
- (g)(i) To what extent is the END optimization and simulation models, as well as the AMP process, constrained to honor the above-discussed **service commitments** for each class of mail, and to what extent are they allowed to recommend changes that systematically might alter those **service commitments** or cause some mail to fail to achieve those **service commitments**?
- (ii) To what extent is cost minimization from network realignment being elevated over service commitments? Please explain.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

**Revised: July 17, 2006**

**RESPONSE to VP/USPS-T1-13:**

- (a) Not confirmed.
- (b)(i) There does not appear to be agreement between the Postal Service and Valpak regarding the last published ZIP Code Directory. I am informed by our National Customer Support Center in Memphis that they last published the Directory in 2004. The title of the chart in that edition refers to "Service Standards." And, unlike for the other mail classes, there is no note pertaining to Standard Mail on that chart. Accordingly, it is not clear what chart is being referenced in subpart (a) of this interrogatory.
- (b)(ii) All published service standards for each mail class included in Library Reference USPS-LR-N2006-1/2 are used within the END simulation model.
- (c) 2004.
- (d-e) Please see the response to subpart (b)(i).
- (f) Not confirmed. It is entirely possible that not every use of the term "service commitment" in reference to Standard Mail has been eradicated from every current postal publication since Docket No. C98-1.
- (g)(i-ii) The END process attempts to maintain existing service standards to the greatest extent possible, however, there will be instances where the model will recommend changing current service standards to achieve an optimal network national solution. Any changes to existing services standards for any ZIP Code pairs would be evaluated as part of the AMP review process.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

**Revised: July 17, 2006**

**RESPONSE to VP/USPS-T1-13 (continued):**

I am informed by witness Williams that the issues of service and cost are considered as a part of each AMP review and the decision-making process there.

VP/USPS-T1-14.

- (a) Please confirm that Subpart B of the Commission rules which are applicable to requests for changes in rates or fees requires the Postal Service to identify "**any performance goals** which have been established for the classes and subclasses of mail." Rule 54(n)(1) (emphasis added).  
The Request must identify the **achieved levels of service** for those classes and subclasses of mail and mail services for which performance goals have been set. [Rule 54(n)(2) (emphasis added)]
- (b) Please confirm that, in fulfillment of the requirement in part a, the Postal Service has consistently submitted as part of its request in omnibus rate case filings a chart entitled "United States Postal Service – **Service Standards**" that indicates a two- and three-day service standard for third-class or Standard Mail entered at Destination P&DC. (Emphasis added.) (See, e.g., Rule 54(n) filings from Postal Service Requests in Docket Nos. R2000-1, R2001-1, and R2005-1.)
- (c) Please confirm that the charts described in part b are virtually identical to those set forth in the National ZIP Code Directory, except that, since the Postal Service's Rule 54(n) filings are required to identify "achieved levels of service," they add language indicating that "achieved levels of performance are shown in the Origin-Destination Information System, (ODIS) Quarterly Statistics Reports...."
- (d) Please explain how ODIS measures achieved level of service for Standard Mail. In particular, how does ODIS know when pieces of Standard Mail were entered?

RESPONSE:

- (a-c) Objection filed.
- (d) It does neither.

**VP/USPS-T1-15.**

- (a) Please identify and discuss all current methods by which the Postal Service measures service performance for Standard Mail.
- (b) Please identify and discuss all plans for any new measurements of performance for Standard Mail.
- (c) Please suppose that network redesign — e.g., consolidation and realignment — results in degradation of service actually received by Standard Mail. Please explain how any performance measurement system that is either now in existence or contemplated for Standard Mail can be used to ascertain whether realignment changes in the postal network have improved or downgraded service. If the Postal Service does not have a credible performance measurement system for Standard Mail, how can mailers be assured that network realignment in fact is producing the “promised” or “expected” results? Does the Postal Service have any plans to use performance measurement as a means for providing accountability that network changes, after they are implemented, are giving expected results?

**RESPONSE:**

- (a-b) I am informed that there is no system in place for measuring service performance for Standard Mail on a systemwide basis and currently no plans for the development of such a system.
- (c) See the response to subpart (a). I am informed that, for mail classes which have service performance or time-in-transit measurement systems, monitoring of service performance is a routine management function unrelated to network redesign and that such monitoring will continue. See the response of witness Williams to VP/USPS-T2-6.

**VP/USPS-T1-17.**

Please refer to your response to VP/USPS-T1-5(b), where you state that “[t]he cost functions are designed to represent the fixed and variable cost of specific mail processing operations in three size categories small, medium and large.” Also, please refer to USPS Library Reference N2006-1/7 (GAO Report), “Highlights” page (unnumbered), the chart “Total Pieces Handled per Person per Hour in Processing Plants for Fiscal Year 2004,” which shows that the average hourly pieces handled per person in “small” plants was 1,970 pieces, in “medium” plants it was 1,700 pieces, and in “large” plants it was only 1,495 pieces. In other words, the GAO found that, on average, total pieces handled per person per hour in medium 3 plants is about 14 percent less than in small plants, and in large plants the total pieces handled per person per hour is about 12 percent less than in medium plants and 24 percent less than in small plants.

a. Do you have any reason to disagree with or otherwise dispute the productivity data shown in the GAO report? If so, please explain fully.

b. Are the small, medium and large size plant categories in the GAO report comparable with the small, medium and large size plant categories in the cost functions in your model? If not, please explain.

c. Does your optimization model contain productivity data for plants in the small, medium and large size categories referred to in your response to VP/USPS-T1-5(b)? If so, are the differences in productivity for each size category similar to those in the GAO Report? If not, please explain:

(i) How they differ; and

(ii) Why not.

d. In terms of pieces handled per hour, higher productivity is generally correlated with lower unit cost. Do the unit cost data in your optimization model reflect productivity data that are similar to the productivity data in the GAO Report, *i.e.*, unit cost increasing with size of facility? If not, please explain the source of such productivity data that underlie the unit costs in your model, and how the differences in unit cost differ from what might be expected from the productivity data in the GAO Report.

**RESPONSE**

- a. The GAO correctly acknowledged on page 29 and 30 that, as seen in figure 10, there are also large gaps in productivity among the plants within each size classification. They go on to describe factors that can lead to the variation in productivity, including: complexity of the operation, size of the workforce, physical layout of the facility, and lack of standardization. The network redesign is focused on achieving economies of scale through the

RESPONSE to VP/USPS-T1-17 (continued):

consolidation of operations under a standardized distribution concept and as much as possible, a standardization of the physical layout of the facility. How unit costs respond to the addition of volume to an operation depends on the operation's volume-variability factor. The Postal Service's models show less than 100% variability (except for the AFSM operation), which implies that unit costs decline as volumes are added to facilities, other things equal. The comparison of average productivities by group does not represent the effect of adding volume to facilities; it is fundamentally an inter-facility comparison -- sites which have always been large vs. sites which have always been small, etc. The comparison of productivities by facility size group also fails to control for features of facilities receiving volume that will not change due to consolidation. See also the response to POIR No. 3, Question 10(a). The cited figure in the GAO report also shows that there is sufficient within-group productivity variation that there are "large" facilities with higher productivity operations than most "small" facilities. Note also that the ultimate goal of the optimization model is not to characterize the facilities the Postal Service currently has, but rather to answer questions relating to: if the Postal Service could optimally configure its operations, then what would the network look like. Individual plant productivities are taken into consideration as inputs as capacity functions are developed.

**RESPONSE to VP/USPS-T1-17 (continued):**

- b. No, the sizes and facilities within each are not comparable. The GAO looks at overall plant productivities, as opposed to productivity by operation that the END models look at. The optimization model contains productivity data by operation for small, medium and large. The small, medium and large size categories refer to the fact that the linear approximations match the productivities implied by the Postal Service's cost equations for small, medium, and large operations. It does not mean that they match average productivities from three subsets of offices called "small," "medium," and "large."
- c. See the response to b.
- d. See the response to a. See also the Direct Testimony of A. Thomas Bozzo on behalf of the United States Postal Service (R2005-1 USPS-T-12) in which the END linear cost functions are based.

**VP/USPS-T1-18.**

Please refer to your response to VP/USPS-T1-5(b).

- a. Please define the term "economies of scale" as you use it in your response.
- b. Does the Postal Service have any study or studies that show how unit costs or productivity of mail processing operations varies as plant size increases, either for the plant as a whole, or for shape-specific or product-specific mail processing operations? If so, please provide copies of each such study.
- c. Please assume that mail at a P&DF is processed on equipment that has run rates and throughput rates similar to equipment at a nearby P&DC. Please assume further that consolidating mail from the P&DF to the nearby P&DC idles as much capacity at the P&DF as it utilizes at the P&DC. Under these circumstances, please explain how consolidation: (i) maximizes utilization of available capacity; and (ii) achieves economies of scale.
- d. Please define the term "incremental cost" as you use it in your response to VP/USPS-T1-5(b).
- e. Please provide all studies, analyses, or other evidence on which you rely to support your statement that "the incremental cost of adding volume to a large operation is less than a small and medium operation."
- f. Please define the terms "small operation," "medium operation," and "large operation" as you use those them in your response to VP/USPS-T1-5(b).

**RESPONSE:**

- a. The term economies of scale is the declining marginal cost of processing a piece of mail as one increases the amount of mail being processed at a given facility. See the Direct Testimony of A. Thomas Bozzo on behalf of the United States Postal Service (R2005-1 USPS-T-12) in which the linear cost functions are based.
- b. See the Direct Testimony of A. Thomas Bozzo on behalf of the United States Postal Service (R2005-1 USPS-T-12) in which the linear cost functions are based.
- c. If mail is transferred from one facility to another, the facility that is migrating workload would have its capacity (machines) reduced such that its machines are running at an optimal capacity, and the gaining site would



**RESPONSE to VP/USPS-T1-18 (continued):**

have its capacity increased such that is running at an optimal capacity. It is assumed that processing these volumes together will yield economies of scale.

- d. The marginal (or additional) cost of adding an additional piece of mail to an operation
- e. See the Direct Testimony of A. Thomas Bozzo on behalf of the United States Postal Service (R2005-1 USPS-T-12) in which the volume variability cost assumptions are based.
- f. The terms "Small operation", "medium operation", and "large operation" refer to the point on the marginal cost curve an operation falls.

**VP/USPS-T1-19.**

- a. Please refer to the response to POIR No. 1, Question 3b. With respect to the excess mail processing capacity that the END initiative seeks to eliminate, please define the term "excess mail processing ... capacity":
  - (i) As used in that response, making explicit whether it refers to excess labor capacity, or excess equipment capacity, or excess space capacity; and
  - (ii) As used in the optimization and simulation models.
- b. Is the definition of "excess mail processing ... capacity" based on the amount of labor, equipment, or space capacity that is not used during a day, a week, a month, or a year? Please explain the rationale for your response.
- c. In light of fluctuations in mail volume that occur at certain times of the year, including various peak periods (e.g., Christmas, April 15, end of each month), are there periods when excess capacity does not exist at either the losing facility or the gaining facility?
- d. How does the END optimization model handle the peak load problem?
- e. If the gaining facility does not have sufficient capacity to process all mail in a manner so as to meet service standards, does the model allow service to slip for some percentage of the mail? If that is the case, what percentage of mail is allowed by the model to fail to meet service standards?

**RESPONSE:**

- a. The response refers to all three.
- b. The END models look at capacity requirements in terms of a day. The  
  
END models use average daily volume plus a peak factor to represent  
  
approximately the 14<sup>th</sup> busiest day of the year.
- c. Yes.
- d. See response to subpart b.
- e. Service is not adjusted, the Simulation model will report the performance  
  
against a given service standard.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS SHAH  
TO INTERROGATORY OF VALPAK**

151

Revised: July 7, 2006

**VP/USPS-T1-20.**

Please refer to your response to VP/USPS-T1-1(b), where you state that "service standards are used as constraints within the model."

- a. Could service standards, or service performance, be used as an objective function in any of your optimization models? If not, please explain why not.
- b. Could either the optimization model or the simulation model be used to investigate alternate (i.e., WHAT-IF) ways to improve service, or service quality? If not, please explain why not. If so, please indicate whether it has been considered, and in general terms how it might be done.
- c. Please explain whether improvement to service performance is
  - (i) an objective or goal of the Evolutionary Network Development ("END") program,
  - (ii) a result that reasonably can be expected from the END program, or
  - (iii) a result that, should it occur, is entirely incidental to the END program.

**RESPONSE:**

- a. Service standards or performance could not be used as an objective function within the current optimization model utilized by END. This model was designed as a least cost optimization.
- b. Yes, the models can be used to test alternate ways to improve service through designing a new distribution concept.
- c. Improvement to service performance is both a goal of END and something that should be expected as an outcome. As previously stated, it is our goal to reduce cost while improving the consistency of service provided.

Revised: July 7, 2006

**VP/USPS-T1-21.** Please refer to your response to VP/USPS-T1-5(a).

- a. Do the structural equations take account of plant-specific labor productivity or unit costs? If not, please explain what plant-specific effects are taken into account.
- b. For small, medium and large plants, is the marginal cost solution that is input into the optimization model an average marginal cost for all plants within each size category, or is a marginal cost solution developed for each specific plant based on data from that plant? Please describe in more detail both the basis and the applicability of the marginal cost solution mentioned in your response to VP/USPS-T1-5(a).

**RESPONSE:**

- a. The structural equations are at the operation, not the facility level, and productivities are derived from site specific productivities.
- b. The cost functions are designed at the operation, not facility level. The marginal cost at the operation level is based off of the structural cost equations of the United States Postal Service. The marginal cost solution is the cost of adding an additional piece of mail to an operation. The linear functions are designed to reflect the underlying structural equation, and mimic the economies of scale inherent within the structural equations. For further information concerning the basis and applicability of the marginal cost solution, see Docket No. R2005-1, USPS-T-12, on which END linear cost functions are based.

Revised: July 7, 2006

**VP/USPS-T1-22.** Please refer to USPS Library Reference N2006-1/7, the "Highlights" page (unnumbered) of the GAO Report in USPS-LR-N2006-1/7, which indicates that within each plant size category the productivity varied widely, and ranged from:

- (i) 1,013 to 2,854 pieces per hour in small plants;
- (ii) 519 to 2,544 pieces per hour in medium plants; and
- (iii) 727 to 2,572 pieces per hour in large plants.

Within each size category, the ratio of highest to lowest productivity was 2.8 for small plants, 4.9 for medium plants, and 3.5 for large plants. In your response to VP/USPS-T1-5(b), you state that "[t]he cost functions [in the END model] are designed to represent the fixed and variable cost of specific mail processing operations in three size categories of small, medium and large."

a. In your model, are the cost functions for each specific mail processing operation based only on some kind of systemwide average cost for small, medium and large? If systemwide averages are not used, please explain in more detail the type of cost data that are used in the model for mail processing operations in each size category.

b. Is the model capable of somehow reflecting or dealing with the wide disparity of costs found by GAO? If so, please explain how this is done.

c. Using the extreme productivity figures from the GAO Report, would you agree that it might be possible to consolidate mail from the small facility that handled, say, 2,500 pieces per hour into a medium facility that handled only, say, 800 pieces per hour? If you do not consider this even a remote possibility, please explain why, and how either the optimizing model or the simulation model helps to preclude such an outcome.

d. Would you agree that it might be possible to consolidate mail from a small facility that handled between 2,000 and 2,100 pieces per hour into a medium or large facility that handled only 1,400 to 1,600 pieces per hour? If you do not consider this a possibility, please explain why.

e. When the optimizing model is used to evaluate a proposed consolidation of mail processing operations from one facility into a larger facility, please explain what effort is made, if any, to base the evaluation on actual productivity and cost data from each of the two facilities being studied.

f. If your optimization models do not incorporate actual costs and productivities for individual facilities being considered for consolidation, please explain:

- (i) How you can be confident that the result will be to consolidate mail in the more efficient facilities, and away from the less efficient facilities; and
- (ii) What is being optimized under circumstances where you use "averages" that may be totally inapplicable to either or both of the two facilities in question.

Revised: July 7, 2006

**RESPONSE to VP/USPS-T1-22:**

- a. The cost functions for each specific mail processing operation are based on the matching of the linear approximations to the productivities implied by the Postal Services cost equations for small, medium, and large operations. It does not mean that they match average productivities from three subsets of offices called "small," "medium," and "large."
- b. See the response to POIR No. 3, Question 10. The Postal Service's models separate the effects of processing volumes (piece handlings) from possibly correlated non-volume factors, and demonstrate that the facility-specific shift factors that affect relative productivities are in fact due to non-volume effects. Shifting volumes to certain plants would not, in itself, be expected to eliminate the effects of non-volume cost-causing factors on operations' costs. Depending on the nature of the shifts, some such factors would be expected to change (e.g., the geographic extent of the plant's service territory) while others would not (e.g., single-level plants would not become multi-story facilities). This type of analysis should be done on a site by site basis and is thus not incorporated into an overall optimization model.
- c. Yes, it might be possible.
- d. Yes, it might be possible.
- e. The AMP process looks at the actual data for all affected facilities.
- f. (i) By utilization of the AMP process.

**RESPONSE to VP/USPS-T1-22 (continued):**

(ii) With a logistics network as complex as the United States Postal Service, it is impossible to model every facet of every facility and have an optimization solve in a reasonable period of time; therefore, simplifying assumptions need to be made. That being said, once the optimization model creates an optimal solution, complexity can be added through the simulation model, as well as the AMP process. The simulation model uses more facility specific data to test feasibility. The refinement of model results through Area and Headquarters operational review is based on more facility specific information. In addition, where applicable, the AMP process will also utilize site specific data.

1 VICE CHAIRMAN TISDALE: Is there any  
2 additional written cross-examination for Witness Shah?

3 (No response.)

4 VICE CHAIRMAN TISDALE: This brings us to  
5 oral cross-examination. Two participants have  
6 requested oral cross-examination, American Postal  
7 Workers Union, Mr. Anderson.

8 MR. ANDERSON: Good morning.

9 VICE CHAIRMAN TISDALE: And the Office of  
10 the Consumer Advocate, Mr. Richardson.

11 MR. RICHARDSON: Good morning.

12 VICE CHAIRMAN TISDALE: Is there any other  
13 participant that wants to cross-examine Witness Shah?

14 (No response.)

15 VICE CHAIRMAN TISDALE: Mr. Anderson, will  
16 you begin?

17 MR. ANDERSON: Yes. Thank you.

18 CROSS-EXAMINATION

19 BY MR. ANDERSON:

20 Q I am Darryl Anderson representing the  
21 American Postal Workers Union. Good morning, Mr.  
22 Shah.

23 A Good morning.

24 Q Mr. Shah, did you sponsor -- I don't know if  
25 that's the right term in this kind of proceeding --



1 Library Reference N2006-1/17? This is the END  
2 optimization modeling report.

3 A No.

4 MR. ANDERSON: I'd like to ask Mr. Shah  
5 questions about that, and I have copies to distribute  
6 if I may.

7 With me representing the American Postal  
8 Workers Union is my colleague, Jennifer Wood. Ms.  
9 Wood will distribute these.

10 VICE CHAIRMAN TISDALE: Okay.

11 BY MR. ANDERSON:

12 Q Mr. Shah, may I ask you to turn to page 3?  
13 Do you have the document, sir?

14 A Yes, I do.

15 Q Have you read this document?

16 A Yes, I have.

17 Q Was it produced under your supervision by  
18 any chance?

19 A Yes, it was.

20 Q Okay. On page 3 I'd like you just to look  
21 at that diagram, and anyone else who has a copy please  
22 do so as well.

23 How many types of RDCs are there? I see  
24 three different nomenclature for RDCs on that diagram.  
25 Can you explain why there are three there and what the

1 differences are, please?

2 A The differences to the types of different  
3 RDCs mentioned is based on the role a facility would  
4 play in the future. These are not necessarily names.  
5 They are three separate physical facilities or  
6 locations in the network.

7 There is an originating role that a facility  
8 would play, the role of consolidation of operations  
9 from a network standpoint, and then there's a  
10 destinating role that a facility would play.

11 Q So would every RDC be both originating and  
12 destinating?

13 A The way the distribution concept has been  
14 defined and modeled, yes.

15 Q Do all the RDCs or will all the RDCs have  
16 LDCs associated with them?

17 A L&DC, if that is what you are referring  
18 to --

19 Q Yes, the local processing center.

20 A No. That's an LPC. I'm sorry.

21 Q Okay. I'm sorry. My mistake.

22 A Yes. If your question was will every RDC  
23 have a local processing center associated with it, the  
24 answer is from the distribution concept and what we  
25 have modeled in the network it is not given that every

1 RDC will have an LPC. It may or may not have.

2 It is a function of a site specific  
3 environment. In some cases we do have facilities  
4 where an LPC and an RDC role may be co-located in the  
5 same physical campus of infrastructure. In others it  
6 may be a standalone LPC and a standalone regional  
7 distribution center.

8 Q May I ask you to refer to page 4, please,  
9 just to refresh your recollection? I want to look  
10 toward the bottom of that page, the last paragraph on  
11 page 4, the first sentence. It states, "The model  
12 will cover both current P&DC operation and anticipated  
13 roles by consolidators and dispersers."

14 What I'm curious about is what you mean by  
15 consolidators and dispersers. Could you explain one  
16 at a time what those terms are?

17 A Sure. Consolidators and dispersers in the  
18 context of the regional distribution concept are roles  
19 that a facility would play in the network.

20 The regional distribution centers, for  
21 example, one of the roles they would play is that of a  
22 consolidator and a disperser of mail volume.

23 Q I understand. Thank you. You referred not  
24 only here, but other places, to the RDCs as the  
25 essential backbone of the new mail processing system.

1 Is that a fair summary of how you view the RDCs?

2 A That is correct. From the definitions  
3 provided of the regional distribution concept, in that  
4 context that statement is correct.

5 Q I'm not sure what you mean by in that  
6 context.

7 A Exactly that. When we talk of the RDC  
8 network, following through the regional distribution  
9 centers are the backbone of that specific distribution  
10 concept.

11 Q I'm having trouble grasping how something  
12 can be the backbone of a concept. I'm not trying to  
13 spar with you, Mr. Shah. I just really don't  
14 understand the terminology.

15 A Again, the regional distribution center is a  
16 theoretical future network concept. It does not exist  
17 today, so that's why I'm saying in the context of that  
18 concept it is an accurate statement.

19 Q When it does exist it will be the backbone  
20 is what you're saying?

21 A I'm saying that the way we have defined the  
22 concept today on paper and through models that is an  
23 accurate statement.

24 Q I'm assuming that you expect this concept to  
25 be realized. Isn't that correct? When I say you I

1 mean the Postal Service institutionally. Are they  
2 committed to effectuating this concept?

3 A As far as I know. The Postal Service has  
4 invested time and resources in exploring this concept  
5 and developing models and does plan to use some  
6 elements of this concept and plan to design its future  
7 network.

8 Beyond that, it would be speculative on my  
9 part to comment on what the future holds.

10 Q Mr. Vogle in a different context has  
11 indicated that the number of processing facilities,  
12 whether they be local or originating or destinating,  
13 will be reduced in the final count.

14 Has the modeling process indicated some  
15 ideal number of processing facilities for the future?

16 A What Mr. Vogle has referred to in his  
17 presentation is that there is an opportunity to  
18 consolidate operations from the current inventory of  
19 facilities or main processing units to a fewer number  
20 based on the distribution concept and the modeling  
21 output.

22 Different numbers have been mentioned at  
23 different times. Yes, based on the modeling output  
24 there is a theoretical potential for the Postal  
25 Service to consolidate operations from the

1 infrastructure it has today to a fewer number of sites  
2 tomorrow.

3 Q Can you give us some numbers? I understand  
4 that these are concepts and they haven't been realized  
5 and that there may be some barriers to realization,  
6 but modeling.

7 A Yes.

8 Q From your modeling, can you give us an order  
9 of magnitude using numbers if possible?

10 A Sure. Based on the end iterations of the  
11 END model we have seen that there is roughly a range  
12 of about 65 to 70, 75 regional distribution centers  
13 that would form, as previously mentioned, the backbone  
14 of the RDC distribution network.

15 The number or the range of local processing  
16 centers and destinating processing centers would be  
17 roughly in the range of 250 to 300 facilities in the  
18 future.

19 None of these roles have been finalized.  
20 You know, the future mail volumes and mail trends have  
21 a direct impact on the number of these local  
22 processing or destinating processing centers.

23 Q And how many are there now that would be  
24 within the definition of local processing originating  
25 or destinating centers?

1           A     Well, today we do not have any facility that  
2     its role is very specialized or focused or can be  
3     categorized just as local processing or destinating  
4     processing for a specific shape or class of mail.  
5     It's more of a general purpose mail facilities and the  
6     inventory.

7                     I believe it was part of some of the  
8     discussions we've had earlier, but there are roughly  
9     290 odd what we call processing and distribution  
10    centers. They are classified as processing and  
11    distribution centers. Today we have 21 bulk mail  
12    centers. We have roughly 11 logistics and  
13    distribution centers.

14                    We have a number -- I don't have the exact  
15    number in front of me right now, but in the  
16    neighborhood of 80 to 100 supporting the annexes. We  
17    have air mail centers. We have international service  
18    centers. This is the inventory of the current  
19    network.

20           Q     All right. Do you know, again recognizing  
21    this is modeling, of the processing facilities that  
22    would eventually if the model were effectuated, how  
23    many would be local processing and how many would be  
24    destinating?

25           A     That number has not been finalized. From a

1 modeling standpoint, as I mentioned, the roles are  
2 selected based on the operations that are assigned to  
3 any of these facilities.

4           You know, the range, as I mentioned, is  
5 somewhere in the neighborhood of 250 to 300 of these  
6 local processing/destinating processing centers.

7           Q     As I understand it, your model doesn't  
8 select facilities for closing, but it does reallocate  
9 mail processing functions so that if there's a  
10 facility that the model does not assign any mail to  
11 that would obviously be a facility that would be  
12 closed. Do I understand that correctly?

13          A     That is not correct. The model, as you  
14 stated in the first part of your statement, does  
15 assign workload from one facility to the other,  
16 thereby freeing up capacity and space in the losing  
17 facility.

18               However, what the Postal Service decides to  
19 do with that real estate and physical infrastructure  
20 is yet to be finalized. In many cases we may want to  
21 relocate or consolidate other functional operations  
22 into that building, carrier annexes or some other  
23 operations in there, so there is no direct correlation  
24 between a modeling output and assuming what the final  
25 decision on the physical property is going to be.



1           Q     At some point when the allocations are all  
2     done one would hope there would be some surplus  
3     facilities. I mean, that's part of the goal here,  
4     isn't it?

5           A     The goal is to optimize the main processing  
6     and the connectivity of transportation through the  
7     mail processing infrastructure and create a least cost  
8     mail processing network for the Postal Service, create  
9     one that has the elements of standardization built  
10    into it, one that gives us operational flexibility and  
11    helps us improve the consistency of our service. That  
12    is the goal of the END models and the process.

13          Q     I know there have been some general  
14    descriptions of what RDCs will look like in terms of  
15    size and truck base and location, relationship to  
16    transportation.

17                Are there similar descriptions of the  
18    features of other facilities in the network as part of  
19    your modeling?

20          A     In that the regional distribution centers  
21    play kind of a unique role in that they are going to  
22    be a consolidation hub for transportation purposes, as  
23    well as mail processing. There are some definite  
24    requirements in terms of the location of these  
25    facilities, access to major transportation services

1 and the physical infrastructure characteristics.

2 In terms of the local processing centers and  
3 destinating processing centers, these characteristics  
4 are different. It could be a number of different  
5 things approximated to population densities. The  
6 physical characteristics of those buildings would be  
7 more in line with the automation technology, the  
8 material handling technology that that building would  
9 essentially be housing.

10 Q Does the model help determine the optimal  
11 size of these facilities?

12 A The model specifies based on the workload  
13 and the required automation any equipment that  
14 building would require. It specifies what the  
15 required square footage or physical capacity for the  
16 workroom would be.

17 In addition to that, there are a number of  
18 factors outside the model that are considered to size  
19 the total facility square footage.

20 Q I'm assuming are the other factors things  
21 such as mail volume? Is that the sort of thing you're  
22 talking about?

23 A No. There are a number of models run by our  
24 Facilities Group for support space outside of just the  
25 core workroom.

1           Q     I see. But as I understand the answer to my  
2 question, the model, based upon the equipment  
3 necessary for particular operations, would have sort  
4 of an optimum example of what these facilities would  
5 look like? Is that correct?

6           A     It would specify the capacity in terms of  
7 square footage required for a facility. That is  
8 correct.

9           Q     Would it be fair to say that one of the  
10 directions that the model takes is to produce fewer  
11 and larger LPCs?

12          A     That is not correct.

13          Q     Is that the outcome though in fact?

14          A     It's not necessarily that it attempts to  
15 create larger processing centers. It does try to  
16 optimize for a least cost and consolidated operations,  
17 given a set of assumptions, from the current number of  
18 facilities to a fewer number of facilities based on  
19 workload.

20          Q     It seems to me that the logic of  
21 consolidation and fewer connotes larger. Isn't that a  
22 fair conclusion?

23          A     No, it does not.

24          Q     Why not?

25          A     Because we define operations or we define

1 facilities not in terms of size. The model actually  
2 looks at that in terms of the size of the operation.

3 There's a lot of difference between  
4 referring to a facility as large, medium or small  
5 versus an operation as large, medium and small. The  
6 models focus on the size of the operation.

7 Q I misspoke. I didn't mean to suggest that  
8 you were concerned about architecture.

9 Substituting the word operations for  
10 facility size, it seems to me that the logic of  
11 consolidation and fewer, the logic of those concepts  
12 which are embodied in what you've said END does, will  
13 result in larger operations and fewer of them. Isn't  
14 that correct?

15 A Yes. The goal of the models the way they're  
16 designed is to essentially gain economies of scale as  
17 it relates to operations and so the goal is to utilize  
18 equipment we have in facilities to its maximum.

19 Q Right.

20 A Hence, yes, we would like to gain economies  
21 of scale.

22 Q Thank you. By the way, I encourage you to  
23 help me out when my terminology is just off the mark  
24 as it was a few minutes ago.

25 I find myself grappling constantly to deal

1 with some of the terminology here, so if I use  
2 facilities and I really mean operations just feel free  
3 to correct me, okay? I'm sure there will be other  
4 instances here in a few minutes.

5 It seems to me that this movement in the  
6 direction of larger and fewer operations, and you made  
7 reference to locating them, the model would tend to  
8 logically and correctly I think locate such facilities  
9 near densely populated areas.

10 It seems to me the same logic suggests the  
11 likelihood that people in sparsely populated areas are  
12 liable to experience service impacts as a result of  
13 the relocation of these operations.

14 A That is not correct. What I said was that  
15 the question, if I'm not mistaken, was the criteria  
16 for the local processing centers similar to that of  
17 the regional distribution centers in terms of the  
18 physical characteristics of the building, the docks  
19 and such, and my response was that local processing  
20 centers have a slightly different set of  
21 characteristics because the role they play is  
22 different than that of regional distribution centers.

23 Local processing centers and destinating  
24 processing centers have the dedicated role of  
25 processing letters and flats and has the

1 responsibility for overnight service. The location of  
2 those facilities, one of the criteria is the proximity  
3 to where mail originates and destinatees.

4 Again, the reason we're not sure or  
5 absolutely certain about the number of these local and  
6 destinating processing centers is basically because  
7 the volume, mail volume and trends, are unknown to us  
8 about the future and so we may be able to increase or  
9 decrease the number of local processing centers based  
10 on our delivery commitments to the people in this  
11 country.

12 Q I'm not sure I understand that answer, but  
13 let me try my question again.

14 A Sure.

15 Q It seems to me necessarily correct that to  
16 consolidate mail processing operations into fewer and  
17 larger operations nearer to population centers will  
18 remove them on the average farther from less densely  
19 populated or, if you will, sparsely populated areas.

20 That logic seems to me ineluctable. What am  
21 I missing? If that's not correct, what am I missing?

22 A The models do not necessarily -- if I gave  
23 the impression that the population density is a factor  
24 that the model considers maybe I misspoke.

25 What I'm trying to communicate is that the

1 model looks at workload, and workload originates based  
2 on whether there's originating mail or destinating  
3 mail for delivery irrespective of the density of the  
4 population in any city.

5 If your inference is that the densely  
6 populated areas generate more volume, in certain  
7 cases, yes. In other cases it depends.

8 Q All right. I understand. We had tried to  
9 ask you, and I'm going to make reference now to some  
10 of our interrogatories directed to you.

11 In N2001-6-T-1-4(a), and I don't know  
12 whether you'll need it or not, but why don't you open  
13 it up?

14 A Could you please repeat that number?

15 Q 1-4(a).

16 A Is that T-1-4(a)?

17 Q Yes.

18 A Okay.

19 Q I think we may have had a communication  
20 problem there. We asked you to provide a list of the  
21 current facilities that based on current analysis will  
22 become RDCs, and the response was the location of all  
23 future RDCs has not been determined.

24 We really meant to ask you to give us the  
25 location of those that have been determined. I think

1 the location of some RDCs has been determined, hasn't  
2 it?

3 A The modeling output has recommended a number  
4 of different facilities that could potentially become  
5 RDCs.

6 Some of the bulk mail centers are logical  
7 candidates to become regional distribution centers,  
8 and we are going through some upgrades in the  
9 automation and technology in some of our bulk mail  
10 centers -- Kansas City is one -- where we are changing  
11 some of the automation, which is about 30 years old  
12 right now.

13 From a modeling standpoint, yes, we have  
14 identified a number of different locations that could  
15 potentially become RDCs. The decision to designate  
16 any of these facilities as an RDC and make the  
17 necessary changes internally within our systems has  
18 not yet been made.

19 Q I've seen some sort of rather widely varying  
20 estimates. I understood that there would be around 65  
21 or 70 RDCs according to the model, and most recently  
22 you advised the OCA that the number would be around  
23 70. That is, the Postal Service advised the OCA.

24 In between in response to an interrogatory  
25 from the Parcel Shippers the estimate range of 28 to



1     100 was given. Would you please just enlighten us  
2     about what's going on there?

3           A     I think our response in the context of the  
4     END models has been fairly consistent that based on  
5     the different iterations of the model we have seen  
6     that the number of RDCs, the regional distribution  
7     centers, vary somewhere between 65 or 75.

8                     The response, the institutional response  
9     which you referred to, which had stated a range is  
10    based on the fact that there has been no decision made  
11    that this range of RDCs is what we are going to  
12    implement and so 28 on the lower end refers to the  
13    number of existing bulk mail centers and the seven  
14    ASFs, the area sectional facilities. That's a known  
15    commodity that exists today.

16                    The 100 is an upper boundary range based on  
17    the constraints the organization faces in terms of  
18    capital, in terms of being able to implement exactly  
19    what the models recommended.

20                    The 65 or 70 kind of fits within that range,  
21    and that again is another range because there's quite  
22    a few things unknown at this point. Rather than  
23    specify an exact number without knowing all the  
24    impacts that the organization is going to face in the  
25    future, we have tried to quantify it in the broadest

1 range possible for now.

2 Q As I understand it, there are going to be  
3 six new surface transportation center activations this  
4 year. Is that still correct?

5 A We are planning to activate the six new  
6 surface transfer centers basically in the calendar  
7 year 2006 and 2007. That has been the plan. That is  
8 correct.

9 Q Surface transfers centers. Pardon me.

10 A Correct.

11 Q Are those all going to be RDCs as well?

12 A The regional distribution center has been  
13 defined and modeled. The surface transfer function  
14 will be a core part of the regional distribution  
15 center.

16 These standalone surface transfer centers  
17 that are being activated are to aid us in the  
18 transition activities. Once we have a big part of the  
19 model concept, if that gets implemented the way it has  
20 been modeled, the surface transfer centers would  
21 logically migrate into the same physical campus as the  
22 regional distribution centers.

23 Q Are you suggesting that the surface transfer  
24 centers would be relocated? You're not suggesting  
25 that, are you?

1           A     They could be relocated because some of  
2     these surface transfer centers are being activated as  
3     standalone facilities currently to aid with  
4     transportation, ongoing transportation optimization  
5     efforts, and basically provide us with a more expanded  
6     surface transportation network in the country like  
7     most of our competitors are spending a lot of  
8     resources to develop a coast-to-coast surface network.

9           The Postal Service currently does not have  
10    an integrated national surface network. We have some  
11    on the east coast and a few on the west coast, and  
12    we're trying to develop a coast-to-coast surface  
13    network whereby we can put more products, as long as  
14    they do not compromise service, on the surface.

15          Q     It's also my understanding that there are 15  
16    HASPs that will become surface transportation centers.  
17    Is that also part of the model?

18          A     It is. Again, not to confuse the issue, but  
19    a HASP, or a hub and spoke, and a surface transfer  
20    center are interchangeable terms. They basically play  
21    the same role. They are designed to consolidate mail  
22    to better utilize the containers used for transporting  
23    mail, as well as better utilize the surface  
24    transportation assets.

25          The existing facilities that are designated

1 as HASPs or hub and spokes and the new surface  
2 transfer centers will all basically combine to form an  
3 integrated national surface transfer network.

4 Q Have the locations of these new surface  
5 transfer centers, the six that are to be opened this  
6 year and the 15 hub and spoke operations, are those  
7 all identified somewhere in the record?

8 A The ones that exist today, and I'm looking  
9 at Mr. Tidwell here.

10 MR. ANDERSON: Mr. Tidwell, can you tell us?

11 MR. TIDWELL: I don't know that I could be  
12 more precise than the witness at this moment.

13 THE WITNESS: Yes. The ones that exist  
14 today, if they are not mentioned in the record we can  
15 definitely provide because they are existing  
16 infrastructure.

17 In terms of where the planned surface  
18 transfer centers are going to be located, we can  
19 definitely comment on the ones that we have set the  
20 plans in motion to activate them.

21 MR. ANDERSON: Yes.

22 THE WITNESS: The other locations would be  
23 still in the planning phase.

24 BY MR. ANDERSON:

25 Q Can you do that for us right now? I'm not

1       trying to test your memory, but if you know.

2           A     Yes. I know for a fact that Phoenix is one  
3       where we had activated a surface transfer center where  
4       we're still going through the motions of activating  
5       and completing all the operational details.

6           Salt Lake City in Utah is another one that  
7       we are actively planning and trying to get that  
8       operational in the near future.

9           Q     I would infer that wherever there's a  
10      surface transfer center that would be a likely  
11      location for an RDC. Is that a fair statement?

12          A     Theoretically that would be a correct  
13      statement because, as I said before, we are trying to  
14      put the surface transfer centers where there is a  
15      critical role to be fulfilled both from a  
16      transportation consolidation as well as from a mail  
17      standpoint, yes.

18          Q     Would you look please at Interrogatory  
19      T-1-23? I'm not sure I understand how END deals with  
20      concentrations of mail volume that may not be well  
21      served by existing facilities. Does END not posit the  
22      construction of new facilities as part of the model?

23          A     The END models do not report as an output  
24      the need for a new facility in the network. Let me  
25      explain how the inputs and the outputs in reference to

1 capacity as related to square footage are handled in  
2 the END models.

3 We constrain the models to use existing  
4 infrastructure, but give it the opportunity to expand  
5 existing infrastructure at a very high cost.

6 Q You might want to pause there and explain  
7 what you mean by a very high cost.

8 A What we try to do is based on the knowledge  
9 of our existing facilities and the infrastructure and  
10 the characteristics of each and every building in our  
11 network, we know the likelihood or the feasibility of  
12 expansion to that specific site.

13 We allowed the model to expand any given  
14 facility up to that threshold with the market driven  
15 price of construction. Beyond that threshold of  
16 what's feasible we still allowed the models to  
17 allocate workload to that facility at an artificially  
18 high cost.

19 I'm just going to use an example. I don't  
20 know the exact numbers off the top of my head, but if  
21 the cost of the real cost of construction per square  
22 foot was \$150 in a specific market the model would put  
23 beyond what's feasible to be expanded. We would put  
24 an artificially high cost, say \$3,000 a square foot.

25 If the model still allocates workload to

1     that facility, assuming that the facility can be  
2     expanded even at that \$3,000 a square foot cost, it  
3     basically means the model says this is the right  
4     geographic location to be processing this mail.

5             What we do outside of the models is go  
6     through an evaluation of the modeling output, look at  
7     what is the required square foot of your capacity as  
8     prescribed by the models and look at what is the  
9     square footage available in the real world in terms of  
10    that building and the infrastructure and then working  
11    with different functional groups assess whether the  
12    current building and infrastructure should be  
13    expanded, look at the age of the building, look at the  
14    characteristics, the feasibility of expansion, all  
15    those factors, and then make the decision whether we  
16    should do that or build a new facility.

17            From that point of view, the model does  
18    identify the optimum location to process the mail.  
19    Whether it's in the existing building or we construct  
20    a new building or lease a new building, that's  
21    something that's done outside the models.

22            Q     I'm having trouble imagining how local  
23    managers conduct area mail processing studies in this  
24    environment.

25            With the END modeling being so sophisticated

1 and forward looking, but with the backbone regional  
2 distribution centers not yet established, it would  
3 seem that managers would find it very difficult to  
4 conduct a meaningful AMP study and decide the  
5 appropriate location of mail, or is that coordination  
6 with END something that's done in Washington or  
7 headquarters through the END process rather than the  
8 AMPs?

9 A In my opinion, there is actually a valuable  
10 role for both of these processes to exist or co-exist  
11 because while the END models have been designed to  
12 give Postal Service management a strategic look at  
13 what the future network should look like, there is  
14 always an ongoing need to continuously evaluate and  
15 optimize operations from a local level.

16 The local managers within the Postal Service  
17 have continuously -- have always, even before the END  
18 process was activated or ever designed -- looked at  
19 consolidation opportunities of operations under the  
20 AMP process.

21 The fact that we have a modeling  
22 infrastructure and a process design to aid in testing  
23 the feasibility of some of these AMP proposals now is  
24 actually a complementary process to the AMP studies.

25 Q From where we sit, Mr. Shah, it looks to us



1     like the END process is driving the AMP process. I  
2     say that for a couple of reasons.

3             For one, I believe it was GAO, or it might  
4     have been the OIG, in a report stated that the Postal  
5     Service was averaging about three AMPs a year for some  
6     years, from 1990 to 1995 I think.

7             Now that END has begun to percolate the  
8     number I think you'll agree with me is burgeoning.  
9     How many AMP studies are ongoing now? It may not be  
10    your job to know, but can you estimate?

11            A     No.

12            Q     Probably 50 or more? Isn't that correct?

13            A     I cannot comment on that because I really do  
14    not know the exact number.

15            Q     But you would agree with me that certainly  
16    END has stimulated and driven a terrific increase in  
17    the AMPs. Wouldn't that be a fair statement?

18            A     I would say that first, I do not completely  
19    agree with your statement.

20            What I would say is that the same factors  
21    that drove the Postal Service to design and develop  
22    the END modeling tools and initiate this process are  
23    the same factors that have probably accelerated the  
24    need for some of the AMP consolidations, and that is  
25    the rapid decline in originating mail, first class mail.

1           You know, I'm not privy to what the factors  
2       were in the mid or early 1990s and how many AMPs were  
3       quantified then, but what I do know is that in the  
4       past four or five or six years since I've been at the  
5       Postal Service the rate at which we've been losing  
6       mail, first class mail volume, especially single-piece  
7       first class mail volume, which is one of the key  
8       drivers for some of these mail consolidation  
9       proposals, is probably one of the key drivers that  
10      we're looking at the overall design as well.

11          Q     It's my understanding that END now generates  
12      candidates for AMP studies. Is that correct?

13          A     That is not correct. As I've stated in my  
14      testimony, AMPs, the process, is one of the mechanisms  
15      that the Postal Service has at its disposal to  
16      implement some of the recommendations, if it chooses  
17      to, of the END modeling output.

18          Q     I think perhaps we're now differing only in  
19      terminology. END suggests -- it doesn't direct, but  
20      suggests -- where it would be appropriate to  
21      consolidate facilities. Is that right?

22          A     The END models do produce an output that  
23      shows consolidation opportunities at a national level.

24                  The AMP process, as I mentioned, is a bottom  
25      up approach where local managers identify

1 opportunities and submit to headquarters and other  
2 bodies for review. We do use, as I've mentioned in my  
3 testimony, some of the end tools to test the  
4 feasibility of these AMP proposals.

5 Q When the END model generates consolidation  
6 opportunities as an output, as I understand it -- I'm  
7 practicing here with this terminology -- are those  
8 consolidation opportunities kept secret in Washington,  
9 or are they communicated out to the field?

10 A It's not a secret. The reason that the END  
11 modeling output is not a widely distributed fact is  
12 because again they are theoretical, and they are model  
13 outputs. They do not take into account a lot of the  
14 local constraints and issues that an AMP proposal  
15 does.

16 The END models were never designed to be  
17 able to incorporate every single operational detail  
18 that exists at a local site specific level.

19 Q I'm not suggesting --

20 A Hence, if any output -- I'm sorry to  
21 interrupt you, but I just wanted to finish my thought.

22 Q Go ahead.

23 A Hence, any of the outputs generated from the  
24 END models is just one of the first steps in the  
25 evaluation process.

1           As I've described in my responses to some of  
2     the questions, the END modeling output is the first  
3     step. The Postal Service then engages subject matter  
4     experts from headquarters, different functional groups  
5     at headquarters and in the field to evaluate the  
6     concepts, the modeling and the validity and the  
7     operational feasibility of modeling output before they  
8     are even accepted as being a theoretical part of our  
9     future network.

10           The AMP opportunities, on the other hand,  
11     are driven by operational realities from a bottom up  
12     approach, and what we have tried to do in the recent  
13     past and hence, you know, the case before the PRC  
14     today is to integrate the AMP process, which was a  
15     standalone process, a bottom up process from the past,  
16     and the END modeling tools and the concepts to make  
17     sure that as we go forward and try and redesign the  
18     network or consolidate operations at a local level we  
19     are trying to make sure that we can leverage the END  
20     process and the tools to test the feasibility of those  
21     proposals.

22           Q     What you said makes sense to me, but it  
23     doesn't really get at what I was driving at. I tried  
24     using your terminology and that didn't work, and I  
25     tried being flippant and that didn't work either, so

1 I'll try to use English.

2 It seems to me that local managers, at least  
3 area vice presidents, if not district managers or even  
4 plant managers, are made aware of consolidation  
5 opportunities as a result of the END process. Isn't  
6 that correct?

7 A The area managers, and they could be  
8 different people -- they could be area vice  
9 presidents, the district managers and others -- are  
10 engaged in the operational review process, as I  
11 mentioned, of the END concepts and the END models.  
12 That is correct.

13 Q All right. You may have misunderstood the  
14 thrust of my questions. I wasn't suggesting that END  
15 had subsumed AMPs or that the AMPs weren't still a  
16 separate, although integrated, process.

17 I was only trying to get a better idea, a  
18 confirmation of what I assumed to be true, which is  
19 that there is END modeling input into decisions to  
20 conduct AMPs.

21 A I cannot speak for the AMP process and the  
22 factors that go into the decision making. I would  
23 guess Witness Williams is a better person to answer  
24 that.

25 I can share with you my observations of the

1     END modeling output and the interaction with the field  
2     managers as it regards the END modeling output.

3           Q     In summary, I think you would agree that if  
4     an AMP recommendation came to headquarters that would  
5     be inconsistent with the END modeling that it would be  
6     disapproved.  Isn't that correct?

7           A     I cannot again comment on that because I'm  
8     not part of the approval process of an AMP.

9           Q     You'd be disappointed if it weren't  
10    disapproved, wouldn't you?

11          A     No comment.

12          Q     Would you please turn to Interrogatory  
13    T-1-229?

14          A     I'm sorry.  Did you say T-1-29?

15          Q     Yes.  No.  I'm sorry.  T-2-29.  You may not  
16    have that before you actually.

17               MR. TIDWELL:  It was one of the redirects to  
18    you.

19               MR. ANDERSON:  Thank you, Mr. Tidwell.

20               THE WITNESS:  I am trying to look for that.

21               MR. ANDERSON:  I put mine in numerical  
22    order, ignoring the one or two.

23               MR. TIDWELL:  I think they're going to be in  
24    the back.

25               THE WITNESS:  I do see T-2-30.  Yes, here we

1 go. T-2-29.

2 BY MR. ANDERSON:

3 Q Okay. As I understand your answer to that  
4 interrogatory, you're saying that END uses average  
5 productivities based on standard productivities for  
6 particular types of operations and the expected  
7 outcome of the change being examined rather than using  
8 the actual productivities for the facilities that are  
9 in operation.

10 A Let me explain. There are a couple of  
11 different places productivity plays a role in the END  
12 models.

13 The END cost functions take into account  
14 facility specific productivities. The END  
15 optimization models assume an average productivity for  
16 facilities, so thereby the difference.

17 Q Yes.

18 A You could say that from a modeling  
19 standpoint the cost functions play a critical role in  
20 generating optimization output.

21 Q I thought you said that for modeling  
22 optimization you used average productivities. Isn't  
23 that correct?

24 A That is correct. From a capacity standpoint  
25 we use average productivities. From a cost standpoint

1 we use actual productivities.

2 Q And in modeling using the average  
3 productivities am I also correct that you use  
4 different productivities, assumed -- average  
5 productivities rather. They're not assumed.

6 They're actually numbers, calculated  
7 numbers, but they're different depending on whether  
8 the facilities are small, medium or large facilities?  
9 Is that correct?

10 A The average productivities by facility would  
11 take into account. I mean, you derive the average for  
12 the capacity. It's an average across all facilities.

13 Q All facilities of the same size or all  
14 facilities?

15 A All facilities.

16 Q Okay. And what about the size of the  
17 operation? As I understand it, does that vary by size  
18 of operation?

19 A The size of operation is the way they break  
20 up the cost functions is by small, medium and large  
21 operations.

22 Q Okay. That suggests to me that you're using  
23 averages for a small operation, average cost numbers  
24 for small operations, average cost numbers for medium  
25 operations and average cost numbers for large



1 operations. Is that correct?

2 A No, that is not correct. As I said before,  
3 the cost equations take into account actual  
4 productivities.

5 Q That's what I thought you said, but then --

6 A Capacity is different than cost and so  
7 capacity defines the ability to handle workload and  
8 the equipment required to handle that workload by  
9 operations. Costs are specific to an operation again,  
10 but they take actual productivities into account.

11 Q I'm sorry. I simply don't understand. I  
12 may need a little essay on the subject.

13 You just said that they take actual  
14 productivities into account, whereas a few minutes ago  
15 you were telling me they were using average  
16 productivities with actual costs. What am I confused  
17 about?

18 A There are two types of functions that go in  
19 as inputs to the END models. One category is cost  
20 functions. The other is capacity functions.

21 Q Okay. Go ahead.

22 A The cost functions take into account actual  
23 productivities as the basis of those cost functions.  
24 The capacity functions take average productivities  
25 into account.

1           The END models in the distribution concept  
2   do not make an assumption that because a facility has  
3   a certain productivity today based on its operational  
4   environmental constraints that it will continue to  
5   maintain that same productivity in the future.

6           That is our fundamental assumption. Hence,  
7   we took basically the direction of assuming or taking  
8   average productivities for our capacity functions  
9   because we would like to give every facility the  
10   benefit of the doubt that given certain steps or  
11   actions taken that you can improve productivity at a  
12   minimum to be average.

13           It's a conservative approach. If a facility  
14   actually has productivity that's higher than average  
15   today then it should be able to do a good job in the  
16   future as well. We did not want to preclude any  
17   facility from playing a role in the future network  
18   just based upon its current productivity.

19           Q    Thank you. Mr. Shah, can you give us a  
20   timeline of the work that has produced the current END  
21   process? I think you've been with the process since  
22   2001 or thereabouts, haven't you?

23           A    That is correct. You mean the END modeling  
24   process?

25           Q    Yes, the END modeling process. I don't want

1 to be coy with you. You're aware probably that the  
2 American Postal Workers Union expected to see the  
3 network integration alignment plan in December of  
4 2002, but we never got it and never got anything that  
5 could be called that until perhaps this proceeding  
6 began, so we're still in doubt.

7 Can you please explain where we were in 2002  
8 and why there was no network integration alignment  
9 product at that time?

10 A Sure. As has also been mentioned, the  
11 transformation plan that was submitted -- I'm trying  
12 to remember; I think it was in 2001 -- which had a  
13 projected timeline that the END modeling output would  
14 be completed by sometime in 2002.

15 There have been a number of things that have  
16 led to why the END modeling output was not accepted as  
17 I would say an organization-wide plan at least from a  
18 long-term planning standpoint because in 2002 and 2003  
19 when we first -- I'm sorry.

20 In 2002 when we first ran the models it was  
21 under a certain set of assumptions, and some of the  
22 modeling requirement documents, the reports that we  
23 submitted, the different versions, alluded to the fact  
24 that the original assumption when we designed these  
25 models in 2002 was that the model would produce a

1 distribution concept or would give the Postal Service  
2 a blueprint of what the future distribution concept  
3 should be.

4 When we reviewed the output in 2002, we  
5 found out that the model did not basically produce as  
6 an output any distribution concepts, and it did not  
7 produce an output that was feasible for a number of  
8 different reasons.

9 One was that it did not give us a  
10 standardized network. It purely went and essentially  
11 optimized just for cost without any respect to  
12 standardization or trying to essentially maintain a  
13 consistent network across the country.

14 Hence, the decision was made that that  
15 output was not something that the future network could  
16 be designed on the basis of and so we spent a lot of  
17 time then in 2003 working to define a distribution  
18 concept that would be the basis of structuring the  
19 optimization models around. We fed as an input to the  
20 optimization models rather than an output.

21 In 2003, as I mentioned, we had some  
22 workshops for the industry, the mailing industry to  
23 participate and give us their feedback on what  
24 elements of best practices they would like to see  
25 included as part of this predefined distribution

1 concept.

2 That distribution concept then became what  
3 is today or now known as the regional distribution  
4 concept, and then we spent basically the latter part  
5 of that and 2004 in building and developing modeling  
6 output, which was completed at that point. We then  
7 spent time between 2004 and some part of 2005 going  
8 through area operational reviews off that modeling  
9 output and the different iterations of the model.

10 When we had sufficient confidence levels  
11 that the modeling output was essentially something  
12 that was stable and that we had enough of a review  
13 process that we decided to integrate that with the AMP  
14 process, and hence that led to the PRC notification,  
15 the union notification, you know, in the early part of  
16 this year.

17 Q Would you be able to pinpoint approximately  
18 when you would say that the END modeling output became  
19 functional and was placed into use, in operation?

20 A I'd like to clarify what end use means, but  
21 let's assume -- correct me if I'm wrong -- that you  
22 mean to infer that the END models are used by  
23 management in decision making?

24 Q Yes.

25 A Is that what you're trying to ask me?

1 Q That's correct. Thank you.

2 A As I said before, we began the area  
3 operational reviews sometime in 2005. We've been  
4 going through that on an ongoing basis with the field  
5 managers and so probably I would say the latter part  
6 of the end of 2005 we were at a point where there was  
7 enough confidence on the distribution concept and the  
8 modeled scenarios, the iterations out of the END  
9 models, that the decision was made to essentially  
10 start using the END models and the tools to start  
11 testing the feasibility of some of the AMPs.

12 MR. ANDERSON: That's all I have. Thank  
13 you, Mr. Shah.

14 VICE CHAIRMAN TISDALE: Thank you.

15 Mr. Richardson?

16 MR. RICHARDSON: Thank you, Mr. Presiding  
17 Officer. Bear with me just a moment. I was surprised  
18 that he was done so soon. I'm sure you're gratified.

19 (Pause.)

20 MR. ANDERSON: We said we predicted  
21 moderate.

22 CROSS-EXAMINATION

23 BY MR. RICHARDSON:

24 Q Good morning, Mr. Shah. Can you hear me?

25 A Yes, I can. Good morning.

1           Q     You're the manager of Network Operations  
2     Development according to your testimony. Is that  
3     correct?

4           A     That is correct.

5           Q     And there are several groups under your  
6     supervision. Your response to one of the  
7     interrogatories indicates that one of your groups  
8     provides support tools to achieve service objectives.  
9     Is that correct?

10          A     That is correct. I have a group, Integrated  
11     Network Development, that is responsible for the  
12     maintenance of the database as far as service  
13     standards and the service standard directories.

14          Q     And while that's for maintaining the service  
15     standards, does your group have anything to do or any  
16     responsibility to improve service standards?

17          A     Not directly.

18          Q     I would like to discuss with you in general  
19     terms the END model, first of all. You're familiar  
20     with Library Reference 18, the END Independent  
21     Verification and Validation Report from January 2005?

22          A     Yes.

23          Q     Attached at the back of that --

24          A     If you could give me a minute to get the  
25     library reference, please?

1           Q     I want to refer to a chart at the back of  
2     that, which is at the end. We might distribute a few  
3     pages, a few copies.

4                     (Pause.)

5           Q     Do you have that in front of you?

6           A     Yes, I do.

7           Q     That chart indicates the implementation of  
8     the recommendations of that report. Is that correct?

9           A     Correct.

10          Q     And in going through that I see there were  
11     quite a few recommendations, and it looks to me that  
12     you have implemented many of the recommendations.

13                    I just wanted you to indicate if there are  
14     recommendations that have not been implemented that  
15     you can recall or that are on this chart. Some of  
16     them it's not entirely clear from the response.

17                    (Pause.)

18          A     I guess I can just quickly looking through  
19     this. If you would like, you know, when we take a  
20     break I can look at my detailed notes to make sure  
21     that it is something that I need to be reporting. I  
22     will do that.

23                    Just at a cursory glance, it could have been  
24     on the first page, you know, it says in the last row  
25     "END responses that assume no change in manual



1 workload moving forward." That's probably because  
2 there were certain observations that the verification  
3 and validation team made which was based on personal  
4 observations or intuition based on Postal experience,  
5 but there was really no proof that they had to support  
6 those observations.

7           Again, the problem we have is not that we  
8 basically discount what they said, but they don't have  
9 a mechanism for us to translate those in terms of  
10 data. If there is no data to support their  
11 recommendation then it is hard for me to go change my  
12 assumptions or my equations without any hard data.

13           Where there were very specific  
14 recommendations, i.e. change the assumptions around  
15 software like PC Miler, the way they calculated the  
16 mileages. We could do that. Where there were  
17 assumptions around specific operational  
18 characteristics we changed that or fixing some data  
19 errors in the models.

20           I mean, we have changed those things that  
21 were tangible and could be fixed, but if essentially  
22 they said we disagree with an assumption made by one  
23 subject matter expert within the Postal Service and  
24 another stands up and says well, I think it could be  
25 done a bit differently, although we would like to

1     probably evaluate both options if we cannot find data  
2     it becomes a little bit difficult for us.

3           Q     If you would just look at that at the break  
4     and indicate whether you have any additions to that,  
5     that would be satisfactory.

6           A     Sure.

7           Q     In response to one of OCA's interrogatories  
8     you said the END model is a state-of-the-art  
9     operations, research, tools and techniques. In that  
10    context, what is state-of-the-art about the END model?

11          A     I can talk about that in a more general way,  
12    or do you want me to talk about that, the specific  
13    language in my --

14          Q     More general.

15          A     Okay. When we started off the evaluation of  
16    how and what should the modeling solution be for the  
17    Postal Service we kind of took almost a clean slate  
18    approach.

19                We said we have the need and desire to  
20    develop a decision support system that can aid Postal  
21    management in making informed decisions about its  
22    networks and operations relating to mail processing  
23    and transportation. You know, what should we do?

24                We spent a decent amount of time trying to  
25    first evaluate and define in very specific

1 mathematical form what is the problem that we were  
2 trying to solve.

3           You know, when I say state-of-the-art it's  
4 not just state-of-the-art in terms of the software IT  
5 tools, but it's the entire process that we refer to.  
6 I'll get into the details.

7           We went through an evaluation, a competitive  
8 evaluation process of consulting firms that specialize  
9 in supply chain optimization, network optimization,  
10 operations, redesign, those kinds of things.

11           Q     When was that? Excuse me.

12           A     This was in 2002. The latter part of 2001,  
13 early 2002.

14           Through that we retained the services of  
15 some leading I would say thinkers or subject matter  
16 experts in the field of operations research from  
17 academia, as well as some from industry.

18           We had retained the services of Dr. Michael  
19 Trick, who runs the Bosch Institute for Operations  
20 Research at Carnegie Mellon University. We also had a  
21 few industry experts from PriceWaterhouseCooper who  
22 had been involved in the field of operations research  
23 for all of 20, 25 years.

24           Collectively with those specialists in  
25 operations research, as well as people from within the

1     Postal Service who understand mail processing and  
2     transportation operations, we essentially formed a  
3     core team of people to sit and define -- it took us a  
4     good six months -- where we studied the existing  
5     environment and sat and formulated what is the problem  
6     we are trying to solve because we knew they were  
7     developing system solutions or optimization or  
8     simulations models.

9             We first needed to understand what is it  
10    that we're trying to optimize. Hence, then that kind  
11    of formed the basis of the initial modeling  
12    requirements documents. We wrote the mathematical  
13    formulas that defined the problem.

14            We then submitted those mathematical  
15    formulas and the problem statement to a number of  
16    different software firms in the industry to  
17    essentially solicit some proposals because we did not  
18    have the resources or the time to basically build  
19    every software optimization model from scratch, so we  
20    wanted whatever existed out there.

21            Through the research we found Logic Tools  
22    and the LogicNet Plus software which the company is  
23    formed and owned by Dr. Simchi-Levi. He is a  
24    professor of Operations Research at MIT. He has also  
25    formed a company that the software is used by some of

1 the leading product sector companies for network  
2 redesign.

3 Through that process of evaluation we  
4 selected the optimization models, but again that was  
5 just one part of the best solution we were trying to  
6 put. Outside of the optimization models we have  
7 created what we call in some of our technical  
8 documents preprocessors, which essentially build the  
9 different inputs to that CD optimization model, so the  
10 cost equations which were developed by a team which  
11 also we had some technical expertise.

12 Dr. Michael Bradley, who was an economist at  
13 George Washington University, was retained to help us  
14 with our cost equations and really writing our  
15 existing cost equations. That formed the basis of the  
16 kind of input process.

17 Outside of that we basically continued to  
18 retain a team to then develop simulation models to  
19 test the feasibility of what the optimization models  
20 produced so that we don't take because one thing that  
21 the optimization models don't do is they cannot put a  
22 clock in kind of the operational sense to any output.

23 It says that this is a cost solution, but  
24 whether it conforms to service standards, and if I  
25 need to measure the consistency of my service

1 performance I needed a simulation tool. Hence, we  
2 developed a simulation suite to essentially test the  
3 outputs of optimization.

4 Q Would you characterize the simulation model  
5 as a state-of-the-art?

6 A That is correct. It is state-of-the-art at  
7 the time we developed it with the technology that was  
8 available to the Postal Service at that point.

9 What we did again was we evaluated the  
10 different options for developing simulation models.  
11 We could have done one of two things -- built one  
12 buying some libraries of algorithms and built one from  
13 scratch.

14 The other proposal we had was  
15 PriceWaterhouseCooper had developed a postal  
16 simulation tool for a number of different European  
17 postal services, although the scale was an issue  
18 because the network for a lot of these northern  
19 European postal services is much smaller compared to  
20 our network.

21 The characteristics of mail flow and basic  
22 postal operations that we needed to simulate remained  
23 the same, so we took that existing product and then  
24 customized it to our need.

25 Q Now, do you expect to be making major

1 changes to the models as time goes on?

2 A The optimization and simulation models  
3 indeed get refined based on the operational or the  
4 modeling needs of the Postal Service. The current set  
5 of models have been designed or modified to model the  
6 regional distribution center concept.

7 If the Postal Service chooses to model a  
8 distribution concept that is very different from the  
9 current regional distribution center concept, the  
10 models would have to be modified, yes.

11 Q Do you see any chance of doing that at this  
12 point?

13 A As it stands today, you know, the regional  
14 distribution concepts and the different variations to  
15 the distribution concepts can be sufficiently handled  
16 by the models, so there's no need to change the  
17 models. I mean, we do update the models with fresh  
18 data inputs.

19 Q I understand.

20 A But other than that, the construct remains  
21 consistent with our needs.

22 Q Your testimony indicates that the end  
23 process provides for a more flexible physical network.  
24 What do you mean by "a flexible physical network"  
25 since as I understand it, the program attempts to

1 eliminate excess capacity so that if operations tend  
2 to be running at or near capacity, it would seem  
3 logical that there may not be as much flexibility in  
4 the operation?

5 A Flexibility from an operation standpoint is  
6 really one of the objectives of this process. The way  
7 our infrastructure and mail flows are structured  
8 today, we have a wide disparity in the way we process  
9 mail at different facilities in the network. It's  
10 very class-based.

11 There is no standardization or there's  
12 definitely a lack of standardization in many of our  
13 network facilities, and hence, when we go through or  
14 are subject to fairly significant changes in the mail  
15 characteristics or mail volumes, our ability to  
16 respond to those market forces or changes in the mail  
17 volumes is very limited because we have spread out  
18 physical infrastructure, equipment, in so many  
19 different facilities that play a very generalized  
20 role.

21 We really cannot efficiently continue to  
22 optimize our cost structures and respond in terms of  
23 even service based on the spread out infrastructure we  
24 have today. So the goal is that by creating a more  
25 standard and well-defined role for every facility in



1 the future where you are either processing air and  
2 flat mail and you only have that kind of equipment in  
3 your building or you're processing packages and doing  
4 transportation consolidations in the future, you  
5 increase the ability to respond to these  
6 macroeconomical market forces if I may say so in terms  
7 of mail volumes or changing characteristics of mailer  
8 behavior.

9 Increase in standard mail versus, you know,  
10 at the same time a decline in first-class allows us to  
11 change our operating plans, our operating  
12 characteristics in our mail processing infrastructure  
13 at a much better pace and a much more flexible manner  
14 than we can do it today.

15 Q But the underlying goal is to do all this by  
16 reducing costs and maintaining a consistency of your  
17 service? Is that what your underlying goal is?

18 A Correct.

19 Q And yet accomplish what?

20 A And standardizing the role of operations  
21 within these facilities. I mean, that cannot be  
22 overstated in terms of its importance, because, you  
23 know, although it's not as tangible a goal as saying  
24 cut costs or improve consistency of service,  
25 standardization is what leads to the inefficiencies in

1     our network today.

2           Q     When you standardize, are you talking about  
3     standardizing the facility itself or the machines that  
4     do the processing or the layout of the facility?

5           A     All of the above, because as we redesign --  
6     again, this is from a theoretical standpoint. I mean,  
7     I can sit here and talk about concepts and how we've  
8     designed or defined the distribution concept, how  
9     we've modeled it, how we've defined it on paper.

10                  How it finally gets implemented is another  
11     matter, but the assumption is that as we redesign  
12     facilities or transition facilities into a future  
13     role, we will try to use standardized formats in terms  
14     of both layouts, optimize mail flows, because the last  
15     thing we want to do is consolidate operations into a  
16     building and not optimize the layouts and the mail  
17     flows, because a lot of the characteristics in some of  
18     the facilities today are also a result that the mail  
19     flow is not optimally laid out or designed.

20                  So those are all factors that we take into  
21     account as we transition to all these network  
22     facilities.

23           Q     Does the AMP process or the consolidations  
24     at the AMP level take into account these standardized  
25     processes that you're talking about?

1           A     Unfortunately, I'm not an expert on the AMP  
2     process.

3           Q     Well, when you're talking about  
4     standardization, that's for purposes of your model I  
5     gather, but is it translated into reality when the  
6     consolidations actually occur?

7           A     The definitions of standardization in terms  
8     of standardizing the mail flows, standardizing the  
9     layouts, standardizing the distribution operations, is  
10    something that we've used for models, modeling  
11    purposes, but it's also something that is  
12    operationally viable today. You know, you can  
13    implement some of these changes today even without  
14    implementing or having to redesign the entire network  
15    as designed or defined by the end concepts.

16                Standardizing mail flows or layouts is  
17    something we have been doing and we could do today  
18    without prescribing to any of the changes that the END  
19    models recommend. So yes, I would hope that, you  
20    know, we take some of this -- if they make operational  
21    sense, they should be implemented with or without the  
22    END recommendations.

23           Q     And when all of the consolidations are  
24    completed and the network analysis is completed, at  
25    the end of the day, by what criteria will you measure

1 the success of the network redesign effort?

2 A Again, I would be speculating at this point  
3 obviously because, you know, we are talking about --  
4 and as we've said in my testimony and other places,  
5 the timeframe that we expect, this is going to be  
6 evolutionary over time, and so, you know, what is the  
7 state of the network at some future time when the  
8 entire network implementation is complete and how we  
9 measure it, it's hard for me to define at this point.

10 Q Would you characterize the model as  
11 intending to remove all excess capacity?

12 A The goal of the model is to create a least  
13 cost solution and gain economies of scale from  
14 operations and identify opportunities for  
15 consolidating operations due to excess capacity.

16 I don't think there is an explicit goal in  
17 the model to remove excess capacity, but it does try  
18 essentially to leverage existing infrastructure both  
19 in terms of buildings and equipment and maximize the  
20 use of those resources in the best possible way.

21 Q Well, it's an underlying assumption that to  
22 maximize the use of the capacity in the network, you  
23 will then minimize the costs. Isn't that correct?

24 A Yes. By maximizing available resources and  
25 by gaining economies of scale, we would be able to

1 improve the efficiencies and reduce costs.

2 Q And you use three sizes of facilities:  
3 small, medium and large?

4 A We use three sizes of operations: small,  
5 medium and large.

6 Q And would you say the model assumes larger  
7 facilities are more efficient?

8 A No, the model doesn't assume that.

9 Q Well, you say the incremental cost of larger  
10 facilities is less than the incremental cost of small  
11 or medium operations, which implies that unit costs  
12 decline as volumes are added to facilities, correct?

13 A Volumes are added to operations. The  
14 inherent assumption is that if I have a small  
15 operation and it's fully utilized, it's very  
16 productive, the cost of adding incremental volume to  
17 it may tip the balance where I'm now getting less  
18 economies of scale there because basically that  
19 operation is already fully utilized while I could have  
20 a medium or a large operation that's not fully  
21 utilized and that has the opportunity to add some  
22 additional volume, thereby making it more optimal and  
23 gaining economies of scale on that equipment.

24 So, again, the fundamental premise and  
25 assumption for the END models is size of operations.

1 That's what really the models really focus on.

2 Q And within each facility, you assume several  
3 operations, correct?

4 A Correct.

5 Q About how many would you assume?

6 A Well, it's basically the operations are by,  
7 you know, the types of product that we are processing  
8 through it. And I could be wrong. I could confirm  
9 that, but I believe we have 11 classifications, and  
10 when we take a break, I could confirm and give you  
11 that number.

12 Q It's by product rather than by processing  
13 operation?

14 A Can I get back to you on that, because I  
15 just need to refer to my notes? You know, the way we  
16 calculate costs and the way we define costs is a  
17 fairly definitive subject area, and I'd like to make  
18 sure I'm answering it correctly.

19 Q Okay. Are you familiar with a GAO report  
20 that said large facilities are generally less  
21 productive than small facilities, and how does that  
22 square with the END model?

23 A If I understand the GAO report --

24 Q GAO report criticism I believe of the END  
25 model.

1           A     I believe the way the GAO models out there -  
2     - I'm sorry, the reports identified or categorized the  
3     Postal Service's mail processing infrastructure was  
4     based on the classification of any facility into a  
5     small, medium or large-sized facility.

6                     But even within the GAO's own report, you  
7     can see that within any type of a facility, be it  
8     small, medium or large, there's a wide variance in the  
9     productivity achieved by the size of the facility.  
10    Again, as I said, our models did not focus on the size  
11    of the facility but rather on the size of the  
12    operations within any given facility.

13           Q     Well, if you could turn to your response to  
14    Valpak, USPS-T-1-16(b), and that had various  
15    productivities attached to it at the back.

16           A     Did you say T-1-16?

17           Q     T-1-16(b). At the back of it, there's  
18    several charts, about 20 pages of charts. Twenty-six  
19    pages to be exact.

20           A     Correct.

21           Q     And which show average productivities of  
22    various operations for plants in three size groups:  
23    small is for 33 percent, medium, 33 percent, and large  
24    33 percent over a period of seven years. Do you have  
25    that?

1           A     Yes, I do see it in front of me.

2           Q     And the charts show that average  
3     productivities for both manual and automated  
4     operations over a seven-year period are consistently  
5     significantly higher for the smallest plant sizes than  
6     for the middle plant sizes and that the average  
7     productivities for middle sized plants are  
8     consistently significantly higher than for the largest  
9     plants. Now isn't this exactly what the GAO report  
10    stated in its report?

11                   (Pause.)

12           VICE CHAIRMAN TISDALE: Let me interrupt  
13    just a minute.

14           Mr. Richardson, do you have very much more  
15    to go?

16           MR. RICHARDSON: Yes, I'm afraid I do.

17           VICE CHAIRMAN TISDALE: Okay. Well, maybe  
18    we should take a quick break and give Mr. Shah a  
19    chance to look over some of the information. If we  
20    could break now and come back about 11:10?

21           MR. RICHARDSON: Thank you.

22           VICE CHAIRMAN TISDALE: Okay.

23                   (Whereupon, a short recess was taken.)

24           BY MR. RICHARDSON:

25           Q     There was a question outstanding. Mr. Shah?



1           A     Yes. As I was looking through these, one  
2     thing I noticed is this is one of the institutional  
3     responses that we filed, and, you know, the witness is  
4     Mr. Bozo, who is the subject matter expert for the  
5     Postal Service and there to help formulate the  
6     institutional response.

7                     Unfortunately, I do not have enough  
8     expertise in this area about the specific aspects  
9     described in these charts and the underlying, you  
10    know, logic for the cost to comment on that. You  
11    know, can we provide a written response to your  
12    question?

13           Q     Yes. That would be satisfactory. Sure.

14           A     Thank you. There were two -- I'm sorry.

15                     COMMISSIONER GOLDWAY: Sorry. For  
16     clarification, because my elderly brain here is not  
17     functioning as well as it should, could you repeat the  
18     question that you had asked of him?

19                     MR. RICHARDSON: Okay. The question related  
20     to the chart in T-1-16(b) which shows various average  
21     productivities and which show that the average  
22     productivities over a seven-year period are  
23     consistently higher for the smaller plants.

24                     COMMISSIONER GOLDWAY: What's the question  
25     to him?

1           MR. RICHARDSON: And that appears to be  
2     contrary to the findings of the GAO in a report that  
3     they issued which -- oh, excuse me. That confirms a  
4     report of the GAO.

5           COMMISSIONER GOLDWAY: But what's the  
6     question to the witness? What is he supposed to --

7           MR. RICHARDSON: Well, I --

8           COMMISSIONER GOLDWAY: What's a written  
9     answer going to provide?

10          THE WITNESS: If that was the only question,  
11     then I thought I was a bit confused as to the  
12     question.

13          COMMISSIONER GOLDWAY: I thought the  
14     question was how did he use that. If that is in fact  
15     the case, how does it get factored into the then study  
16     formulas, or what was the question you asked him?  
17     Just to confirm this?

18          MR. RICHARDSON: Well, to confirm that  
19     point, but that while these charts show that smaller  
20     facilities are more productive, in fact, it seems that  
21     his own END model tends to show or is based on an  
22     assumption that larger facilities are more productive  
23     and to indicate or reconcile those differences.

24          COMMISSIONER GOLDWAY: I don't understand  
25     why the witness can't answer that question.

1           THE WITNESS: I'm sorry. I can answer that  
2 question. I misunderstood the question. As the  
3 graphs show and as you commented that the GAO study  
4 identifies the actual productivities by size of  
5 facility between small, medium and large, that smaller  
6 facilities tend to be more productive in many  
7 instances than medium and in some instances to be more  
8 productive than large.

9           Again, as the GAO report shows, there is a  
10 wide range by size. Even within small facilities,  
11 it's not that every small facility is more productive  
12 than every medium facility which is not more  
13 productive than every large. There's a fairly  
14 substantial range within the charts of the GAO report  
15 that show that.

16           Now, as I mentioned before, there are some  
17 underlying reasons why the productivity in smaller  
18 facilities is in many instances higher than in medium  
19 and large. Some of our larger facilities have issues  
20 or characteristics of the facility that have an  
21 influence on the productivity.

22           Some of them tend to be multi-storage  
23 facilities, some of them have characteristics that  
24 cause less than optimal mail flows, some of them may  
25 not have enough volume or workload to have or gain

1 economies of scale to run their equipment to the full  
2 extent that a small facility may be able to do so.

3 And hence, you know, going back to my  
4 example that if I had a small facility where the  
5 equipment and the resources were utilized say 98  
6 percent of the available capacity, the incremental  
7 cost of adding let's say 10 percent more workload to  
8 that would essentially mean that I am now moving  
9 possibly that small facility from a small category to  
10 a medium category and thereby inherently impacting its  
11 productivity by this definition.

12 It does not remain a small irrespective of  
13 the new workload that I'm going to add to it. The  
14 difference in the approaches by the GAO study and the  
15 END models is they focus on productivity by the size  
16 of the facility, we focus on the cost equations and  
17 the objective of the END model is really by the size  
18 of operations.

19 But again, you've got to remember that  
20 associated with the END model's assumption is that by  
21 the type of facility, there are inherent fixed costs  
22 and then there are variable costs associated with each  
23 facility, so a small facility could have smaller fixed  
24 costs, if you go to a medium facility there's a larger  
25 fixed cost than a smaller one and so on and so forth.

1                   So it's not so much that we challenge or  
2                   disagree with the observations of the GAO report it's  
3                   just that we have certain assumptions that are more  
4                   focused on the operations rather than the size of  
5                   facility.

6                   COMMISSIONER GOLDWAY: It sounds like your  
7                   assumptions, though, would follow the GAO that it's  
8                   more expensive in larger plants if you're talking  
9                   about the amount of equipment, the floor space needed  
10                  for it. On the one hand you're saying you're holding  
11                  productivity constant across these different sizes of  
12                  facility, but you've just said that you've recognized  
13                  that there are additional costs for larger facilities.  
14                  Is that included in the model?

15                  THE WITNESS: Yes, they are. All the costs  
16                  for a facility are included in the model, but as I  
17                  also said that there are aspects in larger facilities  
18                  that sometimes cause the productivities to be lower  
19                  than what they could be. One of them is workload.

20                  Our assumption is that if I can essentially  
21                  consolidate more workload in a larger operation, I'm  
22                  sorry, in a larger facility than what it currently has  
23                  then I'm basically improving the productivity of that  
24                  large facility.

25                  COMMISSIONER GOLDWAY: So you're making an

1     assumption about future productivity in these larger  
2     facilities in your --

3             THE WITNESS:   Because we assume average  
4     productivities I am not necessarily assuming that  
5     because a large facility has lower productivity today  
6     than maybe a medium or a small that it will continue  
7     to have lower productivity even though we put more  
8     volume in that facility and thereby gain economies of  
9     scale and better utilize the equipment and  
10    infrastructure in that facility.

11            That is the assumption.

12            BY MR. RICHARDSON:

13            Q     Suppose you just look at one facility, a  
14     small facility and the model suggests adding volumes  
15     to that.   Don't you have a problem with equipment size  
16     where the size of the equipment exceeds a physical  
17     capacity of the small facility?   How do you deal with  
18     that?

19            A     Yes, it could be.   I mean, the model would  
20     not add more volume to a facility if it is not able to  
21     accept it.   As I mentioned in one of the earlier  
22     responses I think to Mr. Anderson was that the model  
23     is allowed to expand facilities.

24            Q     It is allowed or not?

25            A     It is allowed.   It is allowed based on a

1 I'll use just the word penalty because there's a cost  
2 penalty of expanding or a cost of expanding a  
3 facility.

4 If it believes that despite that cost that  
5 is the ideal geographic location and the only  
6 infrastructure that's available in that location and  
7 that is the most feasible network solution -- because  
8 again, when the model solves it solves the entire  
9 country, it doesn't just solve one node or one zip  
10 code to a node at a point, so there is a domino effect  
11 when it starts assigning workload to a plant.

12 So if it hypothetically found a small  
13 facility that had pretty much maxed out on its  
14 utilization in terms of its equipment, but felt that  
15 this is the right location and the only location where  
16 I can consolidate these operations or process mail it  
17 will try and expand it and add additional equipment to  
18 that facility.

19 That's where my comment that that small  
20 facility by adding the space and equipment could now  
21 migrate into a medium category of size. It may no  
22 longer be a small, but our assumption is that we do  
23 not inherently assume that by making it a larger and  
24 moving the size of the facility into that next  
25 category the productivity will go down.

1           So when we use average productivities we  
2     give the benefit of doubt saying -- well, and I don't  
3     know if that's an appropriate term to use, benefit of  
4     doubt, but we basically assume that by getting the  
5     economies of scale and getting the operational  
6     efficiencies we can manage that facility in the future  
7     and at a minimum achieve the average productivity if  
8     not better.

9           Q     Is that the assumption that the model makes  
10    if there is insufficient capacity, an assumption of  
11    some unusually high cost for construction to expand  
12    the facility, is that in the model to begin with or is  
13    that something that is only input into the model after  
14    its been run partially and then you see well, we'll  
15    put in an artificial number at this point and then you  
16    rerun the model and get the results?

17          A     No. The model as a basic input does have  
18    the information about how much a facility can be  
19    expanded by and the associated cost with it and then  
20    obviously as I said we also allow it beyond that  
21    operationally or feasible expansion at a realistic  
22    cost. Then there is this artificial threshold where  
23    we'll still allow it to expand just so that we can get  
24    a feasible solution.

25                Because in some places in the network there



1 is only one note in that geographic location if we  
2 essentially constrain the model saying do not expand  
3 beyond this we'll get an infeasible solution and have  
4 a domino effect in the network.

5 What we really want is the model to tell us  
6 that it is the right place to process the mail, but  
7 then outside of that we know that facility cannot be  
8 expanded to the extent the model has suggested and we  
9 take it outside the model to evaluate our real estate  
10 options.

11 Q Does the model just use one artificial cost  
12 for all situations like that? A given number,  
13 \$3,000 --

14 A Yeah. I don't know the exact number right  
15 now, but yes, it is one artificial cost beyond the  
16 actual cost of what that facility can be expanded. As  
17 I said, it's an artificially inflated cost that we put  
18 in there just to disincent the model to arbitrarily  
19 start expanding every facility.

20 Q How often do you run the model with  
21 different options?

22 A Well, we definitely rerun the optimization  
23 models, you know, with annual cost and volume sets.  
24 We would run typically the optimization models if  
25 there is a fundamental change in the direction as

1     regards to distribution concept.  Simulation models we  
2     run, you know, depending on the requirements on a more  
3     frequent basis because we use the simulation models to  
4     test the feasibility of ideas or operational concepts  
5     that could be floated around by --

6           Q     For instance how often?  Once a week?  Once  
7     a day?  Once a month?

8           A     I don't have that exact frequency in front  
9     of me, but again, as I said it's definitely not every  
10    day.  Depending on the workload.  I mean, sometimes we  
11    are -- you know, I'd give you an example.  As part of  
12    one of the OIG's request for some of the AMP studies  
13    they are conducting they've asked us to, you know, use  
14    the simulation models to test the feasibility.

15                   In that case my group or staff would be  
16    running the simulation models for a number of days for  
17    a specific instance.

18           Q     How long does it take to actually run the  
19    model?

20           A     Depending on what we are trying to run  
21    through it.  I mean, it could take I would say an  
22    hour, sometimes less than that, sometimes more than  
23    that.  Again, it's depending on the complexity that's  
24    being simulated through the models.  Can I respond to  
25    the two open issues we had that I said I would get

1 back to you after the break?

2 Q Yes. Now, would be a good time to do that.

3 A There was one question you had about the  
4 different types of operations that we model and the  
5 number is 15. We model 15 different operations and  
6 they're basically by the type of automation and the  
7 different manual operations we have by product types.  
8 So the number is 15, 1-5. The second was regarding  
9 the -- I'm sorry. Was it a follow-up question to the  
10 number 15?

11 Q No, there is not. That's fine.

12 A And the other was sort of the  
13 recommendations out of the validation and verification  
14 team?

15 Q Yes. OCA-USPS-48.

16 A Correct. In the document that you  
17 distributed, there was -- and I kind of misspoke about  
18 the last row that I said that that was an example.  
19 That's actually incorrect. There is an example of  
20 where we took that assumption regarding the manual  
21 workload and we said that essentially, you know, we  
22 would get it at forward.

23 The changes were in the third row, which is  
24 Appendix Assumption 6(g), where the IV&V team  
25 basically recommended that or observed that the

1 optimization and simulation throughput for the APS  
2 machine, which is the new package sortation system you  
3 have, is overestimated and basically our feedback to  
4 that was we continue to use the throughput that has  
5 been satisfied in the DAR, that's the decision  
6 analysis report, the funding process that we have for  
7 capital programs for engineering and whatever the  
8 throughput that is specified in the DAR is what we  
9 typically use for new technologies when we are using  
10 them to model.

11 Now, the APS machines have not been in an  
12 accepted production environment long enough for us to  
13 get a good consensus on what the exact throughput  
14 rates are, if it's above or below the DAR specified  
15 rates today, so until that happens we continue to use  
16 the number that is quoted in the DAR.

17 The next one was on the second page,  
18 Appendix Assumption 13.

19 Q Again, these are situations where you have  
20 not --

21 A We have not changed the modeling assumption.

22 Q You have not responded to the recommendation  
23 at this point?

24 A What we've done is we have basically said  
25 that we will continue, but due to the reason I stated

1 and which is stated here we will continue to use the  
2 assumption we have. And again, my earlier comment, we  
3 are willing to change our assumptions if there is  
4 empirical evidence or data to support an observation  
5 made by them.

6 The team has no data to show that the APS  
7 throughput is higher or lower than the DAR stated  
8 number, so we have to go by what's known at that time.  
9 The Assumption No. 13 which said there's a need to  
10 identify mailing requirement changes and potential  
11 pricing changes, you know, if I recollect correctly  
12 the point of view from the team there was that you  
13 need to do two things.

14 One, make an assumption in your models about  
15 how the volume that is drop shipped at certain  
16 locations in the network today would be mapped into  
17 the future network roles and what would be the  
18 subsequent impacts to pricing of the rate case and the  
19 workshare discounts that they receive based on their  
20 drop ships.

21 We have then the former. So for example a  
22 parcel that's drop shipped at a destinating BMC today,  
23 our modeling assumption would be that it's going to be  
24 drop shipped at a destinating RDC in the future.  
25 That's an assumption we were able to make and have

1     made. The rates and the workshare impacts or the  
2     pricing impacts we cannot model because that is  
3     outside the scope of the END models.

4             We do not quantify any impacts to the  
5     changes in mailer rates, the discount structures they  
6     receive today, or what they would receive in the  
7     future. That is a separate group that would work on  
8     as these network changes or network transition is  
9     finalized and is about to be implemented.

10            Q     So that as volumes respond to price changes  
11     to the extent they do the volumes you're using for  
12     your models then are outdated until you update them  
13     again. Is that correct?

14            A     The volumes we use are the official volumes  
15     that the Postal Service uses on an annual basis, so we  
16     take that. We also get external market intelligence  
17     from sources like Global Insight to see what the  
18     sensitivities are for the volumes. I mean, you know,  
19     what are they at least in terms of the near future to  
20     run some iterations of the model.

21            Q     You update the volumes annually. Is that  
22     what you stated?

23            A     That's correct. What we do is we try to  
24     rerun the optimization model every year with the new  
25     volume and cost numbers that we get. Yes.

1           Q     Are there any other recommendations that you  
2     have not completed --

3           A     Those are the only two in the sheet you  
4     passed out.

5           Q     Thank you. I just want to revisit your  
6     discussion with Mr. Anderson about the use of average  
7     productivities across all facilities. It wasn't clear  
8     to me whether you're using the same productivities for  
9     all small, medium and large facilities or do you have  
10    those productivities broken out by small, medium and  
11    large facilities so that you would have three  
12    different productivities for each operation?

13          A     I think we use a single average of  
14    productivities which is basically an average of all  
15    the different sizes. So we do not have an average  
16    productivity for small, an average for medium and an  
17    average for large. We have an average productivity.

18          Q     Those productivities are then broken out by  
19    operations?

20          A     From a cost standpoint we use action  
21    productivities.

22          Q     For your 15 operations?

23          A     Correct. So the cost equation have or  
24    reflect action productivities. The capacity of a  
25    facility, the capacity equations we have assume

1 average productivity, again, for the reasons I just  
2 mentioned previously.

3 Q Average productivity by operation for all  
4 facilities or -- that must be the way it is.

5 A Yes. By operation. Correct.

6 Q Okay. I want to discuss the volume  
7 variabilities factor that's used in the model --

8 A Okay.

9 Q -- for a few minutes. The model uses a  
10 volume variability factor of less than 100 percent for  
11 some of the production operations. Isn't that  
12 correct? I believe that was the response to Valpak  
13 Interrogatory T-1-17.

14 A I'm guessing this is one. You said T-1-16?

15 Q Seventeen.

16 A Seventeen?

17 Q It's a rather long answer, 17(a), and I'll  
18 refer you to the second page of that answer about five  
19 lines down where it states that the Postal Service's  
20 models show less than 100 percent variability except  
21 for the AFSM operation --

22 A Correct.

23 Q -- which implies a unit cost decline as  
24 volumes are added to facilities, other things equal.

25 A Correct.



1           Q     Now, in your response to the institutional  
2     response OCA-34 it was discussed that their linear  
3     approximations are used in the model matching the  
4     Postal Service's implied equations for large, medium  
5     and small operations. Is that correct?

6           A     Correct.

7           Q     Marginal cost decreases as volume  
8     increases --

9           A     Correct.

10          Q     -- in those models. You've also indicated  
11     that the optimization model will maximize the  
12     utilization of larger facilities given the incremental  
13     cost of adding volume to a large operation is less  
14     than a small and medium operation. Is that correct?

15          A     Correct.

16          Q     Now, would you confirm that the declining  
17     marginal cost with increasing volume behavior results  
18     from the fact that the nonlinear cost functions  
19     mentioned in the interrogatories are characterized by  
20     volume variabilities of less than 100 percent?

21          A     I'm sorry. I did not quite understand your  
22     question.

23          Q     I think it's basically the declining  
24     marginal costs with increasing volume recognizes a  
25     volume variability of less than 100 percent. Is that

1 correct?

2 A Correct.

3 Q Suppose that the volume variability is 100  
4 percent or estimated to be 100 percent. In this case  
5 marginal costs from the nonlinear cost function would  
6 not decline as volume increases for that operation,  
7 but would instead be constant overall volume. Do you  
8 agree with that?

9 A Honestly I'm not an economist and would not  
10 be in a position to answer that. What I do know and  
11 can state is that our assumption is that there are  
12 opportunities to gain economies of scale by adding  
13 volume into operations and thereby achieving lower  
14 unit cost as we add that volume.

15 You also assume that there are fixed costs  
16 by facility size and type and that there are fixed  
17 costs for running an operation, and then there are  
18 widely variable costs for running that operation. Our  
19 models made those three assumptions quite clearly,  
20 that there is a fixed cost for running an operation  
21 irrespective of the volume.

22 Whether we process 100 pieces or 1,000  
23 pieces there is a fixed cost. That is different than  
24 the fixed cost of the infrastructure of running the  
25 building and the support costs of running the

1 building, and so the economies of scale obviously is  
2 based on that assumption that as we add more volume or  
3 workload through that equipment, we can better utilize  
4 it and reduce the unit cost.

5 Q Well, for the 100 percent volume variability  
6 situation would you agree that marginal costs from the  
7 linear cost functions for large, medium and small  
8 operations would be the same since there would be  
9 additional costs required to relocate existing  
10 operations to different facilities the optimization  
11 model would not maximize the utilization of operations  
12 in larger facilities, but would instead maintain the  
13 existing utilization of operations in large, medium  
14 and small facilities?

15 A In that I have not modeled a scenario or  
16 have any evidence that I have seen around the  
17 assumption that the variability would be 100 percent I  
18 would care not to speculate on the outcome of what  
19 that would do to the network or the unit costs.

20 Q Some of the inputs into the END model  
21 include scale economies that have been achieved in the  
22 plant operation. Is that correct?

23 A Correct.

24 Q Are those scale economies historical  
25 economies or do they assume future scale economies?

1           A     Future.

2           Q     Now, how do you do that? How do you assume  
3     that? What assumptions do you make?

4           A     The assumption is that basically we are not  
5     assuming that the economies of scale that exist today  
6     are automatically transferred into the future. We  
7     basically look at the current cost structures and we  
8     look at the future cost structures and based on these  
9     results we then either, you know, make the  
10    determination whether that economies of scale were  
11    realized or not.

12          Q     Overall -- I think Mr. Anderson touched on  
13    the question -- the RDCs represent the backbone of the  
14    network and you're not establishing the backbone  
15    first, but it seems logical that a well-planned  
16    backbone would be established first before you worked  
17    on the other parts of the network. Why haven't you  
18    established the locations for the RDCs first in your  
19    network?

20          A     Is the question directed in the context of a  
21    design or a plan or in terms of why isn't it being  
22    implemented in the manner that was described by Mr.  
23    Anderson?

24          Q     Well, first the plan because I understand  
25    from your responses that you don't even have any

1        locations for the RDC network at this point. It would  
2        seem that logically you would at least have the  
3        location pinpointed before you move ahead with the  
4        other parts of the network.

5            A        We do not have locations finalized from an  
6        implementation planning standpoint. That is correct.  
7        We do obviously as I mentioned before from a modeling  
8        standpoint, the modeling output does identify the  
9        geographic locations where regional distribution  
10       centers would be located.

11                    To answer your question in reference to the  
12       backbone, the modeling output does not recommend or  
13       produce as an output any implementation plan.

14                    The comment about the backbone, about the  
15       RDCs being the backbone of the future network, was  
16       made on the observations of the network design that is  
17       produced by the model, that we've run some  
18       sensitivities regarding volume and workload and  
19       irrespective of the increase or decline in volumes by  
20       different categories, the number of RDCs required  
21       roughly stays within that range, leading us to observe  
22       that that's based on the geographic distances and the  
23       need to service customers across the country  
24       irrespective of population densities requires a  
25       specific number of nodes in the network, which is why

1 the comment that irrespective of what happens to  
2 changes in the mail volume of specific classes in the  
3 future, we definitely need this backbone of facilities  
4 that we are pretty certain will remain for a long time  
5 to be able to be the kind of anchors for the  
6 consolidation purposes for the network volume.

7 The number of local processing centers and  
8 estimating processing centers responsible for  
9 processing, internal processing operations, for  
10 originating and destinating mail for letters, flats  
11 and other classes, are more directly impacted by the  
12 changes in the mail volume. So that's how we made the  
13 observation of the RDCs being kind of the backbone.

14 As to why the RDCs are not being implemented  
15 first I cannot comment on that because, again, as I  
16 said the locations of specific RDCs have not been  
17 finalized.

18 The other constraint that as I said we have  
19 assumed in our models is we're dealing with existing  
20 infrastructure, so any changes we'd make to the  
21 network we have to do that based on existing  
22 infrastructure and we need to make sure that we  
23 minimize any disruptions to our customers and service  
24 while we're trying to implement this new network.

25 Q Does the model pinpoint any facilities in a

1 location where there are no facilities at this point  
2 or right now? For instance would it put an RDC in the  
3 middle of Indiana where there may not be one because  
4 they found that was the most efficient location?

5 A This is just my personal opinion and  
6 observation that based on volume either originating or  
7 destinating there is no area where there is enough  
8 volume that we need to process. We don't have any  
9 presence.

10 I mean, if you look at our current inventory  
11 of mail processing infrastructure we've got either  
12 PNDCs which do both, originating and destinating mail,  
13 or we've got DDCs which do just destinating mail, or  
14 we've got customer service facilities, or annex, or  
15 something that represents a postal presence for mail  
16 processing.

17 So we have not found a location in the  
18 country where the model said you should consolidate or  
19 process mail in the future that no sites existed.  
20 Again, the requirement for new facilities is more  
21 based on the operational realities of that building,  
22 of that area or the growth in certain parts of the  
23 country.

24 Q I'd like to talk a little about the service  
25 quality issue. As I understand it the service quality

1 is not an objective of the END models. Is that  
2 correct?

3 A Improving the consistency of service is  
4 definitely a key goal of the end process. Service  
5 standards however are not used as an input the  
6 optimization models.

7 Q There is no attempt to improve the service  
8 standards in increasing upgrades of three digit zip  
9 code pairs?

10 A Sure there is. As some of early iterations  
11 have shown by redesigning the network there are  
12 instances where service standards between two or three  
13 digit pairs get a downgrade while in other cases they  
14 may get an upgrade.

15 Q That's not an objective of the end --

16 A The objective is to improve the consistency  
17 of service, whatever the service standards may be. We  
18 use the simulation models to verify or test the  
19 feasibility of the service performance of any given  
20 service standards.

21 Q In response to one of the interrogatories  
22 you responded that ways to improve service with the  
23 model could only be done by, "designing a new  
24 distribution concept". Please explain what you mean  
25 by distribution concept.



1           A     Well, if it's considered that our existing  
2     network has evolved in response to amongst other  
3     things the way our service standard is currently  
4     defined, especially overnight service standards, if we  
5     were trying to make a fundamental change to the  
6     network assuming that nothing, no service standard  
7     changes between any three digit pair, then we would be  
8     left with the network we pretty much have today.

9                     In addition to that impacts to service  
10    standards obviously as we valued any consolidation  
11    opportunities, and I forgot to mention that in my  
12    previous comment, not through the END models, but  
13    definitely through the AMP process the specific  
14    impacts to every service standard as it relates to a  
15    three digit pair is evaluated as part of the AMP  
16    process in a more definitive manner than the END  
17    models do.

18          Q     What model runs were used to test alternate  
19    ways to improve service through designing a new  
20    distribution concept? Were there any model runs?

21          A     Well, it's not so much to -- the objective  
22    is never really to test what the network would look  
23    like if we changed the service standards  
24    fundamentally.

25                     What we did do is in some of the early

1 iterations of the model we made certain fundamental  
2 assumptions about the distribution concept and one of  
3 the assumptions was that we would limit overnight  
4 service for a plant to its own three digit, so  
5 overnight would just be limited to turnaround for that  
6 plant. That was one of the modeling scenarios that  
7 we've modeled through the network, optimization  
8 models.

9 Q What were the results of that?

10 A Results are you see many more opportunities  
11 to consolidate operations from facilities around the  
12 country into other local processing or destinating  
13 processing centers.

14 Of course, again, as you can probably see in  
15 the IV&V report which has mentioned some of those  
16 outputs of the early modeling runs, based on that  
17 assumption that we are losing single piece first-class  
18 volume and based on that if we limit the overnight  
19 service area to a plant's own three digit the goal has  
20 always been to minimize the total volume of single  
21 piece first-class that gets a service downgrade in the  
22 net and in terms of the volume and the modeling  
23 outputs that are showing that, that we can do that,  
24 and achieve that within a very small percent of net  
25 downgrade to volume and still achieve the theoretical

1 or the cost savings that were mentioned in the IV&V  
2 report.

3 Q I'd like you to refer to OCA-T-1-31 which  
4 includes a list of the outputs of the optimization  
5 model. I believe there was an errata filed today or  
6 yesterday which was designated. I don't think it's  
7 imperative that you have the latest filing for that.

8 A You said T-1-31? Because I'm looking in my  
9 binder, I don't have T-1-31 I think.

10 Q Yes. OCA/USPS-T-1-31.

11 A I'm sorry. My mistake. I was looking at  
12 the wrong one.

13 Q It has I believe nine pages attached. The  
14 question. Their interrogatory had asked for the  
15 outputs from the optimization model and you supplied  
16 this chart, I guess Excel file, solution summary, cost  
17 summary.

18 A I think I found it. Okay. Yes, I do see  
19 the --

20 Q You do have the chart?

21 A Yes.

22 Q I want you to refer to particularly page 1,  
23 the top of the page, solution summary. As I indicated  
24 that interrogatory requested the outputs from the  
25 optimization model. There's a long list of outputs.

1 My question is are all of these line items outputs  
2 from the optimization model or are some of them  
3 inputs?

4 A No. These are outputs. This is a list of  
5 the outputs generated out of the optimization models.

6 Q About four lines from the top there's a line  
7 optimization gap and the data says 53.91 percent.  
8 Could you just explain that?

9 A I would have to get back to you on that  
10 specific definition of that line item. I'm not  
11 completely sure exactly what the definition of that  
12 particular line item is.

13 Q Could you supply that, please?

14 A Yes, I will.

15 Q This list is the entire output of the  
16 optimization model --

17 A Correct.

18 Q -- as I understand it. Is that correct?  
19 Now, if you'd turn to the Library Reference No. 17,  
20 the end optimization modeling report which I believe  
21 we discussed earlier and in particular Section 3.1.2,  
22 don't believe you need to find it, but I did want to  
23 indicate that in that section you mentioned some  
24 compromises had to be made in order for the  
25 optimization model to be tractable.

1           That's at the end of the first full  
2 paragraph on page 6 of the report. Do you see that?

3           A     Yes. I'm just going through the paragraph,  
4 please. Okay. Yes.

5           Q     And these compromises could cause your model  
6 to produce nonoptimal results, couldn't it?

7           A     Well, again, you know, when we started  
8 formulating the requirements for the model, the notes  
9 of defining the cost functions and defining all the  
10 inputs to the model, we realized early on there were  
11 some limitations in terms of the data that is  
12 available to us and it's a known fact that, you know,  
13 the postal volume files that currently exist do not  
14 exist for example in the format that the models  
15 required, that is creating a three digit to three  
16 digit volume map.

17                We had to create that for the purposes of  
18 this modeling. Similarly the cost of functions and  
19 data that we need for the models were not exactly  
20 present in the form that we need and there are certain  
21 operations within our network where we do not have as  
22 granular or accurate data the bulk mail centers for  
23 example.

24                Historically we have not invested in and up  
25 until recently we were using systems that did not

1 capture the operational details and cost in as  
2 accurate a manner as we do for some of the more  
3 mainstream facilities. Hence there are certain  
4 aspects or certain gaps that are identified and  
5 certain approximations made.

6 At the same time the models in terms of  
7 being able to incorporate every small detail of  
8 capacity, cost and volume into the equations made the  
9 computational problems for the optimization models so  
10 large that we had to make certain assumptions presolve  
11 that problem outside of the optimization model through  
12 what we developed calling preprocessors which were  
13 still models, but that tried to solve part of the  
14 problem that really did not need an optimization model  
15 to solve.

16 Hence that's where we said that we took some  
17 parts of the problem and we tried to essentially solve  
18 outside the limit. Even after doing that the size of  
19 the problem that we were trying to solve for this was  
20 pretty large and complex as you can imagine.

21 So to answer your question, you know, did we  
22 make certain decisions that if left as they were with  
23 either some, you know, gaps in data or computation  
24 limitations would have produced an output that was  
25 theoretically different than what we have today?

1     Theoretically that's possible, but we've run  
2     iterations of the models that suggest in different  
3     instances that the assumptions we made were the right  
4     assumptions.

5           Q     One of the assumptions is the use of linear  
6     cost functions rather than nonlinear cost functions.  
7     Is that correct?

8           A     That is correct.

9           Q     Did you ever conduct a test comparing the  
10    differences between the linear and nonlinear cost  
11    functions?

12          A     No, we haven't, but based on the technical  
13    advice we got from our cost experts, we were told that  
14    essentially the linear costs mirror the actual costs  
15    pretty consistently.

16          Q     Another compromise was using three different  
17    sizes, small, medium and large, operations. Did you  
18    ever consider using a different number of operations?

19          A     I mean, I don't think -- again, this is my  
20    opinion -- that using small, medium and large  
21    categories for operations is necessarily a compromise.  
22    I mean, you know, that's typically how we group most  
23    of our facilities and operations by in terms of the  
24    size of operations. So it was pretty consistent  
25    without the Postal Service as to the best of my

1 knowledge looked at operation sizes in the past.

2 Again, as I said before we take irrespective  
3 of the grouping of the facilities for linearizing  
4 these curves, we do take the actual cost of these  
5 operations into account.

6 Q Now, the optimization models split into some  
7 regional and national assignment models. Is that  
8 correct?

9 A The initial optimization model was  
10 decomposed into what are three problems. We had the  
11 zip assignment problem, the processing role model  
12 assignment and the transportation model. If you have  
13 gone through the modeling requirements report,  
14 different versions of it, that is based on the initial  
15 assumption that the model would actually produce a  
16 distribution concept.

17 Once we predefined the distribution concepts  
18 we kind of re-refined the construct of the  
19 optimization models where the three models are  
20 simultaneously solved even in the optimization run.

21 Q So doing that didn't necessarily introduce  
22 any approximations into your process?

23 A Nothing beyond, you know, as I mentioned  
24 before where there were either a lack of data and we  
25 had to make certain approximations. No.



1           MR. RICHARDSON: Mr. Presiding Officer, this  
2     Library Reference No. 17, the end optimization  
3     modeling report was filed as a library reference and  
4     it's technically not part of the evidence in this  
5     case. It was useful in answering one of our  
6     interrogatories, but it was not cited specifically in  
7     response to our interrogatory.

8           That being the case I would ask that this be  
9     entered into the record at this time and we'd be happy  
10    to --

11           MR. TIDWELL: Which interrogatory?

12           MR. RICHARDSON: I believe that was the  
13     interrogatory we filed the motion to compel on that  
14     was --

15           MR. TIDWELL: Twenty-one?

16           MR. RICHARDSON: Twenty-one, which we  
17     subsequently withdrew.

18           MR. TIDWELL: Okay. I won't oppose.

19           MR. RICHARDSON: I would be happy to style  
20     this OCA Exhibit No. 1 just so that the record is  
21     complete with this modeling report.

22           VICE CHAIRMAN TISDALE: Okay.

23           MR. RICHARDSON: I do have two copies I  
24     could provide to the reporter.

25           MR. TIDWELL: No objection.

1                   VICE CHAIRMAN TISDALE:   Okay.   Why don't you  
2   go ahead.   We'll style this as OCA Exhibit No. 1.

3                   MR. RICHARDSON:   Yes.   That would be fine  
4   with us, Mr. Presiding Officer, and that it might be  
5   copied into the record at this point.

6                   VICE CHAIRMAN TISDALE:   Okay.   It will be  
7   transcribed into the record.

8                   MR. RICHARDSON:   Thank you.

9   (The document referred to was  
10    marked for identification as  
11    Exhibit No. OCA-1 and was  
12    received in evidence.)

13        //

14        //

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*OCA Exhibit*

**PRC Docket No. N2006-1**

**USPS Library Reference N2006-1/17**

**END Optimization Modeling Report**

**DRAFT: For Internal Use Only**



# **Optimization Modeling Report**

## **Evolutionary Network Development**

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**USPS END Optimization Modeling Report**


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## Table of Contents:

<b>1</b>	<b>Introduction.....</b>	<b>2</b>
<b>2</b>	<b>Distribution Concept .....</b>	<b>3</b>
<b>3</b>	<b>Overall Formulation .....</b>	<b>4</b>
3.1	Cost Modeling.....	4
3.2	Translating Volume Into Workload.....	8
3.3	Service Considerations.....	10
3.4	Capacity Constraints .....	10
3.5	Modeling Constraints.....	11
3.6	Data Inputs .....	13
<b>4</b>	<b>Modeling Steps .....</b>	<b>17</b>
4.1	Optimization Decomposition .....	17
4.2	Optimization Iteration .....	18
4.3	LogicNet Plus Model Refinements.....	19

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## USPS END Optimization Modeling Report

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### 1 Introduction

This report will provide an explanation of how the optimization modeling was developed and implemented for the USPS Evolutionary Network Development (END) program. Although this model focuses only on the optimization and cost modeling components of the END program, these elements represent the first two steps in our overall modeling approach.

Simulation is used to estimate several metrics for a pre-defined process in a "test" environment. It is also used to conduct "what if" scenarios by modifying selected inputs to a specific process in a simulated environment. Unlike simulation, optimization can be used to calculate an optimal solution given certain constraints, inputs, and an objective function to solve. In our approach, we use optimization to determine and develop a network and then we use simulation to test that strategy and understand the effects of certain "what if" scenarios.

USPS manages one of the most complex and disperse distribution and processing networks in the world. Thus, meeting demanding service requirements, while simultaneously shedding excess cost, is a difficult challenge. To approach this challenge, USPS has worked diligently to *formulate a model that meets the critical operating and management requirements for strategic analysis, yet is feasible to solve with today's computing technology.*

In summary, the following techniques were used to allow us to solve this problem:

- Rather than requiring the model to determine what operations would look like in different parts of the network, the model assumes a pre-defined, standard distribution concept. This concept specifies the types of facilities that exist and the roles associated with those facilities. This reduces the number of decision variables in the model.
- Aggregate volumes at the 3-Digit level instead of the 5-Digit level. First, reliable mail flow data at the 5-Digit level are not available. Second, aggregating volumes at the 3-Digit level significantly reduces the computational complexity of the model.
- Split the solver into two, almost identical versions of the model: (a) Regional Assignment Model and (b) National Assignment Model. Both models simultaneously determine the optimal locations for consolidation operations while assigning each 3-Digit ZIP Code to an originating/destinating processing facility (LPC). There are six Regional models that analyze a segment of the country and the National model evaluates all of the country at once.

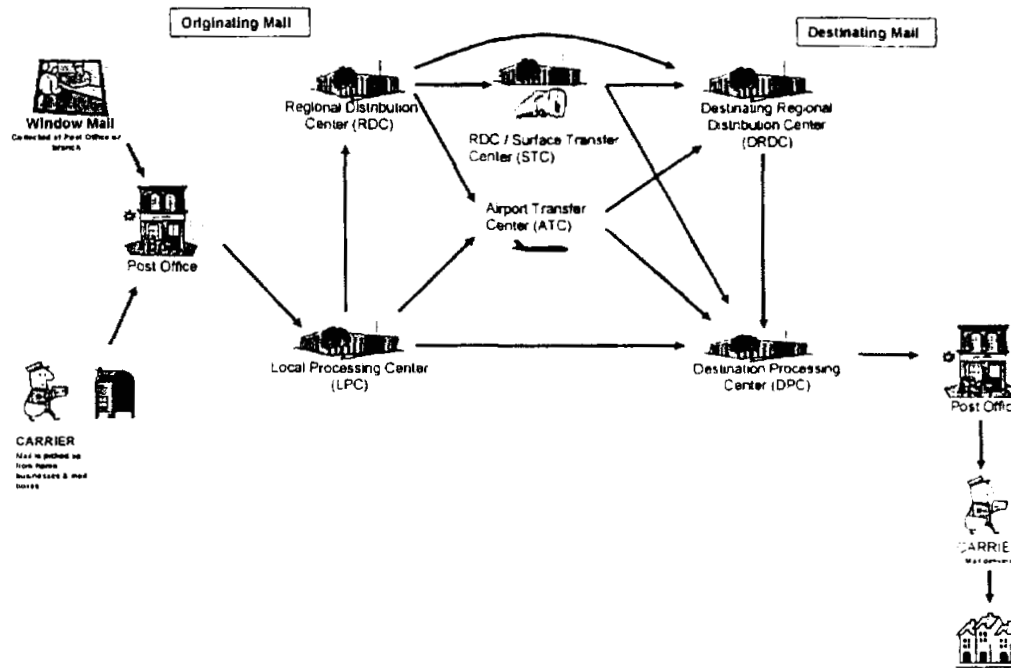
Even though we are "splitting" the problem, we will still answer the fundamental questions that we need to in a structured, unified manner by iterating back and forth between sub-models. Each sub-model will use the solutions of the other sub-models to inform the overall model solution. This interaction will serve to overcome the effects of splitting the models up.

## USPS END Optimization Modeling Report

### 2 Distribution Concept

USPS' goal is to develop a more efficient network designed to handle multiple products with a trend toward more shape-based mail processing streams. The new network design will simplify both mail processing and transportation flows. See Figure 1 below.

Figure 1: RDC Distribution Concept



The illustration above depicts potential mail flows between different mail processing functions in the future network. Note that in the future network different functions depicted in the illustration may end up being performed at the same location.

Essentially the backbone of the network's infrastructure is a Regional Distribution Center (RDC). RDCs will consolidate parcel and bundle distribution to take advantage of shape-based efficiencies. They will serve as mailer entry points and Surface Transfer Centers (STC) to enable shared product transportation. They will act as concentration points for subordinate Local Process Centers (LPCs). LPCs will handle most of the letter and flat process workload for both originating and destinating sorts. Destinating Processing Centers (DPCs) handle the same shapes as LPCs but only conduct destinating sorts and do not have outgoing processing. Some RDCs are co-located with LPCs, where both roles are supported in one geographic location; we call these COLOCs. Air Transfer Centers (ATCs) facilitate the exchange of mail with the air carriers.

The overall modeling formulation assumes this distribution network concept and finds ways to implement it in the most cost effective way.

## USPS END Optimization Modeling Report

### 3 Overall Formulation

The objective of the Assignment Model is to minimize the complete transportation and processing costs of the system. The assignment model needs to make two decisions:

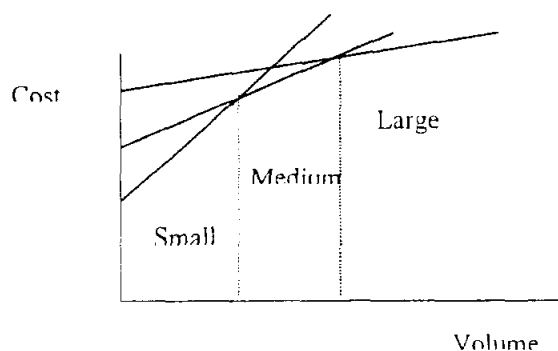
- Every 3-Digit ZIP Code must be assigned to one LPC for all originating processing and one DPC for destinating processing.
- Every LPC must be assigned to at most one RDC for each mail type where consolidation activities occur.

#### 3.1 Cost Modeling

For the model to make the best decision, it must have good cost information. While cost equations can be complex (non-linear), mathematical programming solutions become very difficult to attain when non-linear cost equations are used. Therefore, we assume that all costs can be modeled by a cost function that has both a fixed cost and a variable cost component. In these models, a cost of a facility, transportation link, etc. can be represented with a fixed value for opening the facility along with a per unit cost for each mail item that flows through the facility. These costs can be made up of many sub-costs, but must aggregate as a fixed/variable cost.

For example, facilities that do more of some process have a lower per-unit cost for that process. It seems sufficient to linearize this aspect by having three sizes: small, medium, and large, and allowing a different cost for each of them. This size, however, can vary by product type. So, depending on the actual volumes assigned to a facility, a facility can be small for letters, medium for flats, and large for parcels. Each of small, medium, and large has a fixed cost component, and a variable cost component, leading to a cost curve of the following form:

Figure 2: Facility Size Cost Curve



The model will cover both current P&DC operations and anticipated roles by consolidators and dispersers. The cost model will be used to help the optimization model answer strategic questions. For these types of questions, the costing efforts will focus on replicating the costs of the essential mail flows, determining the costs associated with the work done by consolidators and dispersers and identifying the types of facilities in which these additional roles will be located.



## **USPS END Optimization Modeling Report**

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In developing the structure of the cost model, we considered two dimensions, the coverage or "breadth" of the modeling and the mathematical structure or "depth" of the model.

### **3.1.1 Determining the Breadth of the Model**

The breadth of the model is determined by the needs of the optimization model and the requirement to accurately represent mail processing costs. These two criteria lead to explicit modeling, in terms of individual cost functions for all of the main direct sorting and allied operations for letters, flats, and parcels. Cost functions will be developed for the following individual sorting operations:

- OCR
- MPBCS
- DBCS
- Manual Letters
- Manual Flats
- FSMs
- Manual Priority
- Manual Parcels
- SPBS - Priority
- AFCS
- APPS
- AFSM100
- PSM
- NMO

In addition, cost functions will be developed for the major allied operations. Although these operations do not have direct sorting responsibilities, they are a major part of mail processing labor costs and are required to facilitate sorting. Five allied operations were modelled:

- Platform
- Opening Unit Pref
- Opening Unit Bulk
- Pouching
- SPBS Other (mostly Lips/Rapistan)

Together, these operations represent over 70% (as of ~~2001~~) of mail processing labor costs at P&DCs. The remaining costs will be modeled more simply, for one of three reasons. In some cases, the cost of the operation can be linked directly to a modeled sorting operation, as in the case of RBCS costs, which will be linked to OCR costs. In other cases, the operation's cost is not part of the optimization analysis. For example, the model does not contemplate "consolidating" facing and canceling operations. These operations will thus stay in the P&DCs. Although these costs must be accounted for in determining which P&DCs will be operating, and how ZIP Codes should be assigned to P&DCs, there is no requirement for detailed cost modeling of their characteristics. Finally, some operations are simply too small to justify detailed modeling and increased complexity in the optimization model. For example, the empty equipment operation generated only \$38 million worth of cost in ~~FY 2000~~. Need to confirm when these cost functions were last updated?

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**USPS END Optimization Modeling Report**


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**3.1.2 Determining the Depth of the Model**

One of the key issues in the optimization model is whether or not the Postal Service can obtain economies of scale and scope through consolidating operations. Thus it is essential that the mail processing cost model allow for such economies. At the same time, the optimization model is highly complex and imposes severe demands on the computing algorithm. Consequently, our model structure is guided by two considerations: 1) our attempt to best represent the actual cost within facilities incorporating both economies (and diseconomies) of scale and scope and (2) the need for the optimization model to be tractable.

Scale and scope economies require unit costs to vary with the level of production, but this typically implies complex functional forms that are computationally difficult. Accurate approximations of complex functions can be obtained by applying simple affine functions and then allowing the parameters of those functions to vary with operational size. Based on marginal accuracy and simplicity, three linear functions were used to approximate the non-linear functions for each operation. The model is structured so that as an operation increases/decreases workload, the linear function used would change as to yield the minimum of all three; therefore closely following the path of the non-linear curve. We have classified these three linear curves as "small", "medium", and "large".

This means that for any direct operation, we model the cost function as follows. For any direct operation  $j$  for a particular volume range  $i$ :

$$C_{ij} = F_{ij} + \delta_{ij} v_{ij},$$

where:  $i$  = volume range (small, medium, or large)  
 $j$  = direct operation

where the  $F_{ij}$  represents the fixed cost associated with that specific operation of size " $i$ " (e.g. small, medium or large), the  $\delta_{ij}$  represents the variable cost associated with handling a piece in the operation of a given size, and the  $v_{ij}$  represents the workload in the operation.

This formulation can be contrasted with allied labor operations in which the fixed cost will not be associated with a specific shape or product family. Having common fixed cost in the allied labor provide a mechanism for incorporating economies of scope. In addition, allied labor operations may be driven by more than one operational volume. We can specify an allied labor operation,  $k$ , as:

$$C_{ik} = F_{ik} + \sum_j \alpha_{ijk} v_j$$

where:  $i$  = volume range (small, medium, or large)  
 $j$  = direct operation  
 $k$  = allied labor operation

Note that most of the  $\alpha_{ijk}$  will be multiplied by zero volumes. That is, a particular facility will only have non-zero volume in one of the volume ranges for each of the direct operations. Finally, we may wish to consider an overall common fixed cost, which would be associated with opening the facility and not related to any specific operation. This also is a mechanism for generating economies of scope.

With these pieces we can build the cost equation for the entire facility. It would include any common fixed cost ( $F$ ) and the sum of the costs in the direct and allied operations. The cost function in each operation is approximated by an affine function with parameter choice dependent upon operation size. Despite the complexity of choosing the appropriate parameters for any particular facility ( $Z$ ), the overall cost equation remains linear.

### USPS END Optimization Modeling Report

$$C_z = F_z + \sum_j \sum_i (F_{ij} + \delta_{ij} v_{ijz}) + \sum_k \left( F_{zk} + \sum_j \sum_i \alpha_{ijk} v_{ijz} \right)$$

where: i = volume range (small, medium, or large)  
 j = direct operation  
 k = allied labor operation  
 z = facility

While this function looks complex in its general form, it is quite straightforward in application. The process of using it is as follows:

- Determine the volume of piece handlings in each operation. Based upon that volume, classify the size of the operation (e.g., small, medium or large.)
- Choose the appropriate parameters for each operation.
- Combine the operational cost functions into the overall cost function

To make this a bit more concrete suppose that facility Z has 2 direct operations, BCS letter sorting and manual flat sorting and 1 allied operation, the platform. Now apply the costing process:

- Step 1: Classify the size of the operation (e.g., small, medium or large) Suppose the data show that the BCS operations is "medium," and the manual flat operation is large. The platform operation, based upon the sizes of the direct operations, can be classified as "medium."
- Step 2: Choose the appropriate parameters for each operation. The model allows for varying parameters by operational size. Given there are two direct operations and two parameters per function, this means that the model allows for 12 different direct sorting parameters:

Direct Sorting Parameters				
Operation Size:	BCS Fixed	BCS Variable	Man. Flat Fixed	Man. Flat Variable
Small	$F_{BCS,S}$	$\delta_{BCS,S}$	$F_{MF,S}$	$\delta_{MF,S}$
Medium	$F_{BCS,M}$	$\delta_{BCS,M}$	$F_{MF,M}$	$\delta_{MF,M}$
Large	$F_{BCS,L}$	$\delta_{BCS,L}$	$F_{MF,L}$	$\delta_{MF,L}$

In any actual application, only 4 of these parameters will be picked. In our example, they are the parameters for the medium BCS operation and large flat operation, (highlighted in bold and shaded).

A similar exercise is required for the allied operation. The choice of the fixed cost parameter is similar to the choice for the direct operations in the sense it is dependent upon the size of the operation. In other words, the fixed cost for the platform depends upon whether it is, for example, a small, medium, or large platform operation. The choice of the parameters for the variable costs, however, is slightly different. Because no direct measures of workload in the platform operation exist, the platform variable cost parameters will depend upon the size of the operations that the platform supports. The fixed component of an allied operation changes with size to account for varying platform operations; however the variable piece is the same for all sizes.

Finally, the actual unavoidable fixed costs, apart from any operation-specific costs, are added to determine the total cost of operating a facility.

**DRAFT:**

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**6/28/2006**

**Page 7**

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## USPS END Optimization Modeling Report

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- Step 3: Combine the operational cost functions into the overall cost function. Once the first two steps are completed, the combined cost function is derived. In our example, the facility cost function looks like:

$$C_z = F_z + F_{m,BCS} + \delta_{m,BCS} v_{BCS,z} + F_{l,MF} + \delta_{l,MF} v_{MF,z} \\ + F_{m,PL} + \alpha_{m,BCS,PL} v_{BCS,z} + \alpha_{l,MF,PL} v_{MF,z}$$

Despite its simplicity, this function allows for both economies of scale and economies of scope in mail processing costs.

### 3.2 Translating Volume Into Workload.

The costs generated in a plant are dependent upon the work accomplished in that plant. This means that the relevant measure of volume for a plant is determined by the piece handlings in different operations. The ZIP Code Assignment Model, in contrast, focuses on assigning originating and designating workload to facilities. One of the key factors in making that assignment is the cost associated with different sets of assignments. The mail processing cost model must therefore provide the cost of handling mail in different facilities under different ZIP Code assignments. To do so, the model must translate originating and designating volumes into workload. This is done in three steps:

#### 3.2.1 Step 1: Identity 3-digit ZIP Code volumes by mail class.

The process begins by collecting origin 3-digit to destination 3-digit volumes for each of the following mail classes (Express Mail will not be included):

- First-Class Mail (Presort and Single Piece separately)
- Priority Mail
- Package Services
- Standard Mail
- Periodicals

#### 3.2.2 Step 2: Breakdown by shape.

Once the class-based mail flows have been identified, they must be segregated into separate flows for letters, flats, and parcels (i.e. volumes by 3-digit pair, class, and shape). This must be done because the workload content varies by shape. Ideally, this could be done separately for every set of 3-digit origin/destination pairs. However, data thinness precludes such an analysis. Instead, the shape breakdown will be made by origin ZIP Code and combined with the assumption that the distribution by shape is the same to all destinations from the origin. The shape breakdown for any specific 3-digit destination will be calculated by using the shape breakdowns, weighted by volume, from all origins that send mail to that 3-digit ZIP Code.

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**3.2.3 Step 3: Measure the piece handlings by operation per piece.**

The last step in the volume to workload process is to determine the piece handlings, by operation, for each *originating and destinating* piece. We will use the current ZIP Code assignments to plants to calculate the ratio of, for example, flat piece handlings in outgoing sorting to the number of originating flats assigned to that facility. The ratios will be calculated by *shape and operation* and will allow us to assign a workload content to each originating piece in each ZIP Code. A similar method will apply to destinating volume.

Once this process is finished, we will be able to approximate the workload associated with any 3-digit ZIP Code. When alternative ZIP Code assignment schemes are investigated by the optimization model, the alternative costs of the workload can then be calculated and included in identifying the optimal outcome.

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## USPS END Optimization Modeling Report

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### 3.3 Service Considerations

In consolidating operations, the Postal Service to the greatest extent possible attempts to minimize the impact on service standards, however it is difficult to design a network of this scale and scope without some re-mapping of 3-digit ZIP Code service areas. Simulation modeling was primarily used to test and understand the feasibility of the optimization results from a service and capacity perspective.

Using data from the Texas Transportation Institute, each 3-Digit ZIP Code and facility was given a designation based on the average traffic delays and congestion observed in that location. Based on these designations and the distances between facilities (from PC Miler), we calculated travel times for all possible combinations of ZIP Code to LPC/DPCs and LPC/DPCs to RDCs. We then limited these to feasible options by applying the following rules:

- ZIP Codes could be no more than 2 hours from an LPC/DPC
- LPC could be no more than 3 hours from an RDC

We made exceptions to these rules where geographical barriers (e.g., mountain ranges and bridges) existed. We also stretched distances in some cases to allow for multiple choices at sites that didn't have any alternatives. We also used feasible paths to constrain the model in its determination of how to use facilities. In particular:

- Specific downtown LPC/DPCs could not act as RDCs
- BMCs and Busse could not be selected as an LPC

### 3.4 Capacity Constraints

A key aspect of this model is the handling of the capacity constraint. The capacity constraint defines the amount of work that can be done within the confines of a particular building. While the amount of space needed to handle a particular amount of originating or destinating mail is potentially straightforward to calculate, determining the total space usage is difficult due to two types of overlap:

- Overlapping machine usage, where originating and destinating mail use the same machines
- Overlapping time windows, where there are times both originating and destinating mail are being handled.

We are exploiting the distribution concept to more accurately gauge the true space usage. The key is that for much of the system, both originating and destinating mail is handled by the same facility. So we can calculate the overall space usage for the assignment of a 3-Digit ZIP to a particular facility.

For example, mail can be handled at three types of facilities: the LPC A, LPC B, and LPC C. For a particular 3-Digit ZIP, if it is assigned to A, then it is possible to determine the space required for handling both the originating and destinating mail for A as follows: *For each major machine type, determine the number of machine hours needed for originating and destinating mail under this distribution concept to handle the 3-digit ZIP.*

Suppose the required machine hours for machines M1, M2, and M3 are as follows (based on volume at each machine and the machine-specific throughputs).

## USPS END Optimization Modeling Report

- M1: 32 hours originating, 12 hours destinating
- M2: 0 hours originating, 16 hours destinating
- M3: 12 hours originating, 9 hours destinating

Take the true operating windows lengths, say 8 hours originating (6PM-2AM) and 6 hours destinating (midnight-6AM) for all three-machine types. Determine the number of machines needed, for originating (8 hour window), destinating (6 hour window) and both (12 hour window):

- M1: originating:  $32/8 = 4$ , destinating:  $12/6 = 2$ , both:  $44/12 = 3.67$
- M2: originating:  $0/8 = 0$ , destinating  $16/6 = 2.67$ , both  $16/12 = 1.33$
- M3: originating  $12/8 = 1.5$ , destinating  $9/6 = 1.5$ , both  $21/12 = 1.75$

And take the maximum values:

- M1: 4
- M2: 2.67
- M3: 1.75

Multiply by the square footage per machine, and you get the total square footage required

Similar calculations can be done for the RDCs. The result is, for 3-digit ZIP  $i$ , there is a space usage  $u(i,k)$  for every role  $k$  in the distribution concept. These are the data used to determine space utilization in the model. If  $x(i,j,k)$  is 1 if 3-digit ZIP  $i$  is assigned to facility  $j$  for role  $k$ , and if the square footage of facility  $j$  is  $S(j)$ , then we require

$$\sum_i \sum_k u(i,k) x(i,j,k) \leq S(j) \text{ for all } j$$

We will use the operating windows as part of a pre-processor that will calculate the square footage needed for each product and ZIP Code combination outside the Assignment Models.

### 3.5 Modeling Constraints

The optimization model and the constraints it uses helps us with three questions

- Which 3-digit ZIP Codes should be assigned to plant for both origins and destinations?
- What processing roles should be assigned to each facility?
- Which facilities can be absorbed by surrounding facilities?

The following table provides insights into the constraints we model.

Table 1: Modeling Constraints Algorithms

Constraint	Algorithm	Description
1. ZIP Assignment	$\sum_j w(i,j) = 1$ for all $i$ in $Z$	Every ZIP must be assigned to exactly one LPC
2. ZIP Assignment	$w(i,j) \leq x(j)$ for all $i$ in $Z$ , $j$ in $P$	A ZIP can be assigned only to an open LPC
For the RDC, denote the set of roles as $R$ , and let $R(r)$ be the set of RDC's with role $r$ (so $R$ (letter concentrator) would be all $k$ with "letter concentrator" as its role).		

## USPS END Optimization Modeling Report

Constraint	Algorithm	Description
<b>3. Processing Role</b>	$\text{sum\_k } (k \text{ in } R(r)) \text{ } v(j,k) = x(j) \text{ for all } j \text{ in } P \text{ and } r \text{ in } R$	Every open LPC must be assigned to an RDC
<b>4. Processing Role</b>	$v(j,k) \leq y(k) \text{ for all } j \text{ in } P \text{ and } k \text{ in } C$	An LPC can only be assigned to an open RDC.
<p>Costs can be assigned to each variable, so we can model:</p> <ul style="list-style-type: none"> <li>• Facility costs to open/close LPC (costs on the <math>x(j)</math>)</li> <li>• Processing costs at the LPC (costs on the <math>w(i,j)</math>)</li> </ul> <p>To get the processing costs at the RDC, we need an auxiliary variable <math>u(i,j,k)</math>: binary variable if ZIP <math>i</math> is assigned LPC <math>j</math> which is assigned to RDC <math>k</math>.</p> <p>This is a standard method to force <math>u(i,j,k)</math> to be 1 if and only if both <math>w(i,j)</math> and <math>v(j,k)</math> are 1</p> <p>With these variables, we can put in</p> <ul style="list-style-type: none"> <li>-Transportation costs from ZIP to LPC and from LPC to RDC</li> <li>-Processing costs at LPC, DPCs and RDCs</li> <li>-Inter-RDC transportation costs</li> </ul>		
<b>5. Processing Costs</b>	$u(i,j,k) \geq w(i,j) + v(j,k) - 1 \text{ for all } i \text{ in } Z, j \text{ in } P, k \text{ in } C$ $\text{sum\_k } u(i,j,k) \leq w(i,j) \text{ for all } i \text{ in } Z, j \text{ in } P$ $\text{sum\_i } u(i,j,k) \leq v(j,k) \text{ for all } j \text{ in } P, k \text{ in } C$	Linkage between $u$ , $v$ , and $w$ variables
<p>Capacities are handled by assuming the machines used in each role are separate. Associated with each <math>w(i,j)</math> is a space utilization <math>s(i,j)</math> given the space (square feet) needed at <math>j</math> by 3-digit ZIP <math>i</math>. Similarly each <math>u(i,j,k)</math> are space utilizations <math>s'(i,k)</math> for the usage by <math>i</math> at the facility in role <math>k</math>. If facility <math>j</math> has size <math>S(j)</math>, then we have a constraint.</p> <p>Note that the <math>s</math> and <math>s'</math> values offset any overlap between originating and destinating mail</p>		
<b>6. Capacity</b>	$\sum_i (s(i,j) w(i,j) + \sum_j s'(i,j,k) u(i,j,k)) \leq S(j)$	Assignments must recognize capacity limitations at each facility by mail type and operation

We include facility size constraints, using the cost curve introduced earlier by adding auxiliary variables:

- $\text{size}(j,s,r)$ : binary decision variable if facility  $j$  has size  $s$  for product  $r$ .
- $\text{size}'(k,s,r)$ : binary decision variable if RDC facility  $k$  has size  $s$  for product  $r$ .
- $\text{asg}(i,j,s,r)$ : binary decision if 3-digit ZIP  $i$  is assigned to LPC  $j$  at size  $s$  for product  $r$ .
- $\text{asg}'(i,k,s,r)$ : binary decision if 3-digit ZIP  $i$  is assigned to RDC  $k$  at size  $s$  for product  $r$ .

Now, we need to link the various variables together through the following constraints:

- $\text{sum\_s } \text{size}(j,s,r) = x(j) \text{ for all } j \text{ and } r$
- $\text{sum\_s } \text{size}'(k,s,r) = y(k) \text{ for all } k \text{ and } r$
- $\text{sum\_j } \text{sum\_s } \text{asg}(i,j,s,r) = 1 \text{ for all } i \text{ and } r$
- $\text{sum\_k } \text{sum\_s } \text{asg}'(i,k,s,r) = 1 \text{ for all } i \text{ and } r$
- $\text{asg}(i,j,s,r) \leq w(i,j) + \text{size}(j,s,r) - 1 \text{ for all } i,j,s,r$
- $\text{asg}'(i,k,s,r) \leq \text{sum\_j } u(i,j,k) + \text{size}'(k,s,r) - 1 \text{ for all } i,k,s,r$

With these definitions, the costs are straightforward: the fixed, or product core, cost for facility  $j$  at size  $s$  for product  $r$  is the cost of  $\text{size}(j,s,r)$  (and similarly for  $k$ ) while the variable processing costs for ZIP code  $i$  assigned to  $j$  at size  $s$  for product  $r$  is the cost of  $\text{asg}(i,j,s,r)$ .



## USPS END Optimization Modeling Report

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For each 3-Digit ZIP code, the amount of mail volume in cubic feet is given as an input. In addition, based on determined truck sizes, the model is given the cost per trip for both ZIP-to-LPC and LPC-to-RDC trips by distance. Using the truck size capacity for ZIP-to-LPC transport and the amount of cubic feet volume, the number of trips needed is calculated. The model then multiplies the number of trucks needed by the per-trip cost corresponding to the distance between that ZIP and LPC. For example, if the model were given a ZIP-to-LPC cost per trip of \$5 for one mile, \$6 for two miles and \$7 for three miles, and the distance between a ZIP and LPC was two miles, then the cost per trip would be \$6. Applying this to the calculated number of trucks needed for that ZIP yields the ZIP-to-LPC transportation cost applied for that ZIP-to-LPC decision. LPC-to-RDC transportation cost works essentially the same way except that the volume isn't directly given into the model, but rather is a function of the ZIP codes assigned to that LPC.

Ideally, for each originating 3-Digit ZIP we would like to calculate the weighted average cost of transporting volumes from the assigned originating RDC to the destinating RDCs. Since we do not know the locations of the RDCs in advance of running the model, we will approximate these costs. We do know the distance between each potential RDC and each 3-digit ZIP and we know the volumes from each origin ZIP to each destination ZIP. Thus, for each feasible assignment of origin ZIP to potential RDC, we can approximate the cost of transportation beyond the RDC as the average of the distances from that potential RDC to the destination ZIPs weighted by the volumes going from the origin ZIP to those destination ZIPs. This cost will be specific to whichever RDC the ZIP is assigned to, and will allow us to approximate the inter-RDC cost without actually knowing the location of the RDCs<sup>1</sup>. The inter-RDC cost will be added to the other transportation and processing costs associated with assigning a 3-digit ZIP to an LPC – RDC combination in the optimization model.

### 3.6 Data Inputs

The data requirements are driven by inputs required by the optimization model. The optimization model requires the following inputs:

- 1) For every 3-digit ZIP Code and P&DC, the cost of assigning the 3-digit ZIP Code to that P&DC. This should include:
  - a. Transportation cost to get mail from the 3-digit ZIP Codes to the P&DC
  - b. Transportation cost to get mail to the 3-digit ZIP Code from the P&DC
  - c. Cost of doing initial separation of mail at the P&DC
  - d. Cost of doing any final sorts at the P&DC
- 2) For every P&DC and processing product, the cost of doing the originating product sorts at the P&DC. For this and all such calculations, a product may be broken down into sub-products (manual, presorted, etc.) with the cost being the sum of the costs for the sub-products.

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<sup>1</sup> This is an approximation and is not a precise calculation of the transportation costs beyond the originating RDC. These costs are only used to help the optimization model consider the impact of these costs when locating facilities. These are not the transportation costs used in the final cost calculator.

## USPS END Optimization Modeling Report

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- 3) For every product and processing concentrator (including size) for that product, the cost of doing the originating product sorts at that concentrator (and similar for dispersers).
- 4) For every P&DC and processing concentrator, the transportation cost of getting the product from the P&DC to the concentrator (and similar for dispersers).
- 5) For every P&DC and transportation concentrator, the transportation cost of getting mail from the P&DC or processing concentrator to the transportation concentrator (and similar for dispersers).
- 6) For every processing concentrator and transportation concentrator that can handle that mail, the cost of transporting the product from the processing concentrator to the transportation concentrator (and similar for destinating mail).
- 7) For each pair of 3-digit ZIP Codes, the amount of mail of each product (and sub-product if needed) to be sent from one to the other.
- 8) For each 3-digit ZIP Code, the amount of destinating entry volume sent by high-volume mailers to its transportation disperser.
- 9) For every pair of transportation concentrators/dispersers, the per unit cost of sending mail along the leg.
- 10) Space capacities at all facilities where processing could be done.

The following eight subsections explain the specific data requirements needed to calculate the 10 inputs listed above.

### Mail flows and volumes

We need 3-digit to 3-digit piece volumes for each mail class and shape combination. We need these volumes in a file with the following fields:

- Year
- Mail Class (First-Class Presort and Single-Piece, Priority, Standard, Periodicals, Package Services)
- Shape (letters, flats, parcels)
- Origin 3-digit ZIP Code
- Destination 3-digit ZIP Code
- Piece Volume
- Pound Volume
- Cube Volume

### Workloads

We need the number of piece handlings by operation for each plant in the current network.

## USPS END Optimization Modeling Report

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### Facility locations and ZIP Code assignments

We need the following information for each function 1 processing facility:

- Finance number
- Plant name
- Plant type
- Address, city, state, and ZIP Code
- Square feet (processing and administration)
- Origin 3-digit ZIP Code to SCF assignments by mail class (and shape where applicable)
- ADC/AADC to Destination 3-digit ZIP Code (i.e., SCF) assignments by mail class (and shape where applicable)
- SCF to Destination 3-digit ZIP Code assignments by mail class (and shape where applicable)

### Facility equipment and capacities

We need the following equipment and capacity information for each facility:

- Number of machines by type for each plant
- Footprints for each type of machine
- Throughput per machine hour for each type of machine

### Labor costs and productivities by operation/facility

We need the following data for labor costs and productivities for each operation and facility in order to develop the cost functions.

- Hours by operation along with the pieces handled during those hours for each operation
- A fully loaded wage rate

### Operating Plan

We need to know the specific operating plans for each facility by product

### Transportation Mileage and Times

For every origin 3-digit to destination 3-digit ZIP Code combination, we need to know the following information:

- Actual driving miles between points
- Average time needed to travel by mode: air, highway, rail, water

### Transportation costs

We need transportation cost data by mode as described below.

- **Highway Contract Costs.** We need cost per truck mile

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**USPS END Optimization Modeling Report**

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- **PVS Costs.** We need cost per truck mile
- **Shared Networks Costs.**
  - Cost per cubic foot rates
  - Available capacity by leg (origin to destination) per day
- **Commercial Air Costs.**
  - Cost per pound mile rates
  - Available capacity by leg (origin to destination) per day
- **Amtrak Rates.**
  - Cost per rail car by leg
  - Available capacity by leg (origin to destination) per day
- **Freight Rail Rates.**
  - Cost per trailer by leg
  - Available capacity by leg (origin to destination) per day
- **Air Taxi Costs.**
  - Cost per pound mile
  - Available capacity in pounds by leg (origin to destination) per day
- **Inter-Alaska Costs.**
  - Cost per pound mile
  - Available capacity in pounds by leg (origin to destination) per day
- **Water Costs.**
  - Cost per container per leg
  - Available capacity in pounds by leg (origin to destination) per day

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## USPS END Optimization Modeling Report

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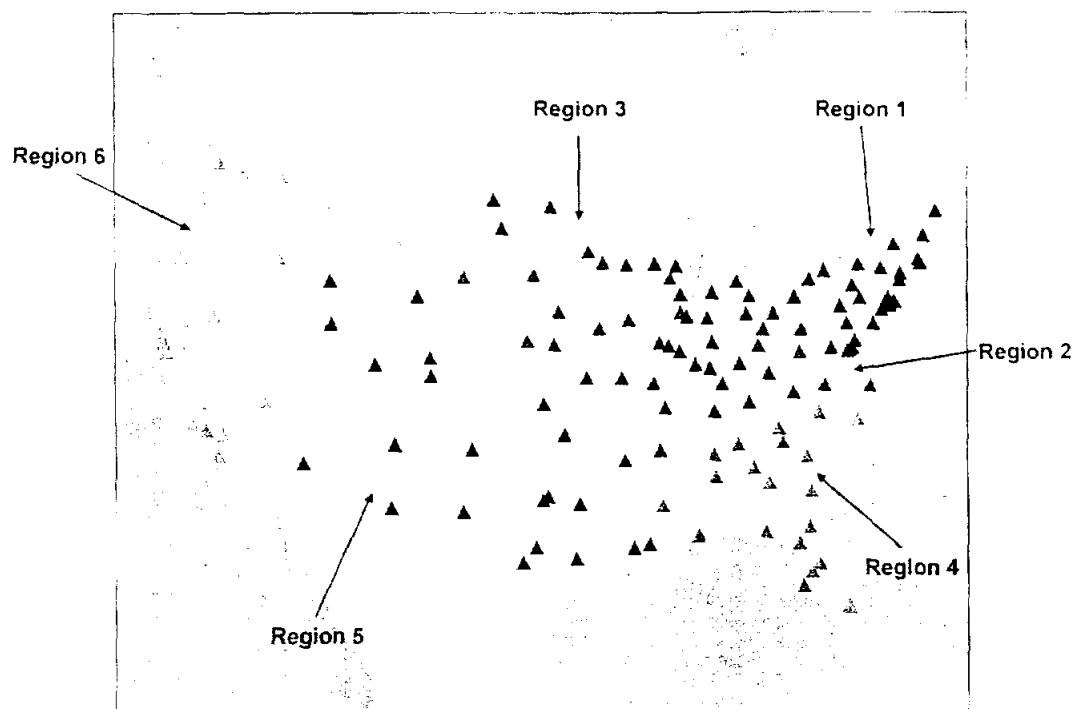
### 4 Modeling Steps

The ideal approach to most optimization problems would be to develop a single optimization model that represents the *entire problem* and identifies the single, optimal solution. However, creating such a model has proven to be intractable. Splitting models into sub-models is a well accepted and proven approach for solving models as complex as this one. Each sub-model will use the solution from the *other sub-model* to inform the overall model solution. This interaction, or iteration, between sub-models will serve to overcome the effects of splitting the models into pieces.

#### 4.1 Optimization Decomposition

The Assignment model was decomposed into two types of solvers: Regional and National Assignment Models. Figure 3 demonstrates the regions we typically use. Depending on the number of constraints in a given model run, we can sometimes combine regions together and have fewer model iterations.

Figure 3: Regional Definitions



Feasible Paths helped us ensure that each ZIP Code was assigned to the same region as its' corresponding LPC. If this was not the case, we transferred the 3-Digit ZIP Codes between regions until this condition was satisfied across all regions. The optimization model had to be subdivided into geographic regions to achieve a solution within a reasonable amount of time. To run the model in regions, we needed to assign each 3-Digit ZIP Code to a single region. Using the geocoded 3-Digit ZIP Codes, we divided the country into regions of approximately the same number of ZIP Codes.

## USPS END Optimization Modeling Report

### 4.2 Optimization Iteration

There are two types of iterations that occur. First we iterate from the Regional to the National Model. We also iterate between model sets varying our assumptions the size of each operation.

The number of iterations completed impacts how closely the final result approaches the optimal solution. To determine an appropriate termination point that represents the best solution within an accepted tolerance, it is important to iterate this loop many times and assess the trend as the results converge toward the optimal solution. Provided enough iterations are completed, we retain the integrity of our results and the ultimate solution will still be very close to optimal.

#### 4.2.1 Iterating between Regional and National Models

The Regional Models is formulated exactly like the National model except it includes only a segment of the national data. By limiting the data it evaluates to a region, it can solve within a practical amount of time. The National Model solves because it uses the results of the Regional Models as a "hot start". All sites and LPC-RDC assignments chosen in the regional optimizations were candidates in the National Model. In addition, cross-region assignments are now considered. If a site or assignment was not chosen in a regional model, and it did not represent a cross-region opportunity, it was not included in the National Model.

#### 4.2.2 Iterating Facility Sizes

To keep the models to a reasonable size, it will initially be run assuming a certain size classification (e.g. LG LTTR, LG FLAT, LG PRCL, LG PRTY) for operations. This size classification will determine the fixed and variable costs used in the optimization model. Therefore we are not initially using size as a decision variable within the optimization.

In addition, we can perform reasonable heuristics to further mitigate this issue. The general approach would be to run this model iteratively, with different size classification assumptions in each successive run. Therefore, we can run a model with a certain size classification, use the solution to that model to re-consider the size classification assumption and then run the model again. This method should ensure that each successive iteration results in a solution as good as or better than the previous solution.

#### 4.2.3 Model Run Sequence

We will run the optimization model and its pre-processors and post-processors, refine the model for iteration, and then iterate through this process. Steps the optimization modeling process follows are in Table 2.

Table 2: Modeling Steps

Step	Description
1. Run Pre-Processor	Prepare data for regional models. Develop capacity requirements for each product and ZIP combinations. Identify all feasible ZIP to LPC and LPC to RDC paths.
2. Regional Models with Large Size	Run all regional models assuming a large size classification for each facility. This will encourage the most consolidation. Produce assignments by region for ZIPs to LPCs and for LPCs to RDCs
3. National	Regional outputs are candidates in the National Model (as the "hotstart").

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6/28/2006

Page 18

## USPS END Optimization Modeling Report

Step	Description
Models with Large Size	Assume large size classifications for all facilities. Make cross-region assignments were necessary (both ZIP and LPCs to RDC) "Home ZIP" constraint applied.
4. Refine model for Iteration	"Re-size" the facility functions based on assigned volumes
5. Regional Models with True Sizes	Run all regional models assuming the true size classification for each facility Produce assignments by region for ZIPs to LPCs and for LPCs to RDCs
6. National Models with True Sizes	Regional outputs are candidates in the National Model (as the "hotstart") Make cross-region assignments were necessary (both ZIP and LPCs to RDC) "Home ZIP" constraint applied.

Our experience suggests that two iterations, repeating steps 4 to 6 a second time, is an appropriate termination point that presents the best solution with an accepted tolerance

### 4.3 LogicNet Plus Model Refinements

In LogicNet Plus software, plants produce product and then ship to warehouses that in turn ship to customers. Below, we will discuss how to map the refined END RDC optimization into the components of LogicNet Plus.

#### 4.3.1 Customers, Products and Demand

The customers will be the 3-Digit ZIP codes. The ZIPs will have demand for two types of product, LPC product and RDC product. The demand for these products will be in terms of square feet required.

#### 4.3.2 Warehouses

The warehouses in this model will represent a combination of an LPC facility and an RDC location. Since customers receive products from warehouses, this will effectively allow us to assign a customer to both an LPC and an RDC simultaneously. For example, suppose the Chicago plant has only Palatine and Carol Stream as potential feasible RDC assignments. At the Chicago location, there would be two warehouses, "Chicago LPC - Palatine RDC" and "Chicago LPC - Carol Stream RDC". Then, when a ZIP code is assigned to one of these warehouses, it is actually assigned to an LPC and an RDC.

#### 4.3.3 Plants and Production Lines

There will be a plant for every location in the network. Within that plant, there may be one, two, or three production lines. For a facility that is only capable of being an LPC and is incapable of being an RDC, it will have a single production line that produces only LPC product. For a facility that may be both an LPC and an RDC, there will be two production lines, one producing RDC product and one producing LPC product. For those plants that can be either an LPC or an RDC but where co-location of LPC and RDC is not allowed, the model will be restricted to only allow one of those two production lines (i.e., either LPC product or RDC product). If it is determined during pre-processing analysis that a given facility may be required to perform both roles, we

## USPS END Optimization Modeling Report

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will add a third line that is allowed to produce both types of products. The square foot capacity of facilities will be captured as production capacity on the production lines.

### 4.3.4 Costs

In this model, all transportation and variable costs will be applied on the arc between the customer (ZIP) and the warehouse (LPC - RDC combination). To calculate the transportation and variable cost for a given ZIP, all we need to know is its assignment to an LPC and RDC and the sizes of those facilities for each shape. Because each warehouse represents both an LPC and RDC, we can place all of these costs on the arc between the customer and the warehouse.

The fixed costs for facilities may be placed at the production line or the warehouse, or some combination of both.

### 4.3.5 Key Constraints

#### 4.3.5.1 ZIPs must be assigned to a single LPC/DPC

This is a straightforward constraint in LogicNet Plus by simply single-sourcing the customers (ZIPs). This says that a customer (ZIP) can only be assigned to a single warehouse (LPC – RDC - DPC combination).

#### 4.3.5.2 Each LPC/DPC can only be assigned to a single RDC

We have a warehouse at each location for each potential RDC assignment (for example, "Chicago LPC/DPC - Palatine RDC" and "Chicago LPC/DPC - Carol Stream RDC"). We group these warehouses at each location and write a constraint that allows at most one to be used. In addition, we will construct transportation lanes in such a way that "Chicago LPC/DPC - Palatine RDC" can only receive LPC product from Chicago and RDC product from Palatine, etc. Together, this effectively eliminates the possibility of an LPC/DPC being assigned to more than one RDC.

#### 4.3.5.3 A location can be an LPC/DPC or an RDC but not both

At each plant, we can group the production lines and write a constraint that allows at most one to be used. Since each production line will produce only LPC/DPC or RDC (with some exceptions for sites that require co-location), allowing at most one line to be used effectively allows that site to perform only one role.



1 BY MR. RICHARDSON:

2 Q Just a couple of last questions, Mr. Shah.  
3 When the simulation model is run and certain  
4 consolidations become apparent that they might be  
5 efficient what process notifies the local management  
6 that there are certain AMPs that should be considered?

7 A There is no direct process to take any of  
8 the END modeling output and initiate an AMP process at  
9 the headquarters or national, I'm sorry, at local  
10 levels. The END modeling output is reviewed as part  
11 of the process with headquarters and ADM managers.  
12 The decision to initiate an AMP proposal from a local  
13 level is independent of any simulations that we run in  
14 the END models.

15 We use the simulation as a tool to test the  
16 feasibility of an AMP proposal once it's been  
17 initiated and comes to headquarters for review.

18 Q Is there no process after a simulation is  
19 run and I guess reviewed by you -- do you review the  
20 outputs?

21 A My staff does and yes, I do.

22 Q Do you then coordinate the outputs or the  
23 results with other executives within the Postal  
24 Service and headquarters and discuss the results?

25 A That is not part of my responsibility. The

1 AMP review process is handled by another function  
2 group under the leadership of Mr. Williams.

3 Q Well, I'm not referring to the AMP results  
4 so much as I'm referring to the results in the  
5 simulations. Perhaps I misunderstand the whole  
6 process. There are lists that have been provided in  
7 this case of potential AMPs. Did that list, was it  
8 prepared at the local level or would it have been  
9 prepared somewhere in headquarters?

10 A Again, I'm not qualified to comment on  
11 anything regarding the AMP process.

12 MR. TIDWELL: Just for the record I would  
13 note that the list is attached to Mr. Williams'  
14 testimony and he would probably be the best person to  
15 explain how that list gets developed.

16 MR. RICHARDSON: Okay. Thank you.

17 THE WITNESS: From the earlier question you  
18 asked me about, you know, what happens to the  
19 simulation output, any AMP proposal that is under  
20 review and we are asked to use the simulation models  
21 to test the feasibility you would test the  
22 feasibility, produce the output in a format that would  
23 become part of the AMP, call it a handbook or the  
24 proposal, and that goes on for review and is  
25 supporting evidence for the different reviewers at

1       headquarters and at the local level.

2                       BY MR. RICHARDSON:

3               Q       Well, is the optimization model distributed  
4       to any other executives outside your office?

5               A       The models --

6               Q       Excuse me. The output from the optimization  
7       model.

8               A       The end optimization model outputs, you  
9       know, in the past have been discussed with other  
10      people in the organization. Yes. As I mentioned  
11      earlier that we review it at headquarters and with the  
12      area executives.

13              Q       When you review that do you look for  
14      potential consolidation situations?

15              A       Not really. The optimization models outputs  
16      are really designed to provide some definition or  
17      guidance in terms of what kind of future network  
18      concepts of strategy should be to better define the  
19      integration of kind of at a more strategic level.

20                      For example, you know, if you're trying to  
21      plan for new capital programs or new automation  
22      technologies and we need to make sure that they're  
23      aligned with some distribution concept that we're  
24      going to be implementing in the future. Then the END  
25      modeling output may be reviewed as a reference in that

1 context.

2 Q Well, then I would ask the same question  
3 with respect to the simulation model. That is run at  
4 times without responding to a question as to whether a  
5 certain AMP would be feasible isn't it? It's run in  
6 conjunction with the optimization model?

7 A The original purpose of the simulation model  
8 was to be a complementing model to the optimization  
9 models to validate or test the feasibility of the  
10 modeling output produced by optimization models.  
11 Using it to test the feasibility of alternate  
12 scenarios or ideas like in the case of AMP proposals  
13 is a more subsequent step.

14 Q When you review the simulation model, do you  
15 look for situations which would be good candidates for  
16 consolidation?

17 A The simulation models really do not  
18 produce -- again, I think I need to make it clear what  
19 the simulation was designed and does do. It takes an  
20 idea or a proposal -- let's say that the proposal is  
21 that I would like to establish a local processing  
22 center here, and this is the workload that's going to  
23 be processed in that facility, and these are the  
24 service commitments for the zips that are being  
25 processed here. It is going to run that through the

1 facility with the given equipment sets, with the  
2 existing service standards as constraints, and measure  
3 the service performance and see if we can actually  
4 clear that workload through that facility in the time  
5 given based on operating parameters and the equipment  
6 given to it.

7 That is the extent of what the END  
8 simulation models do. They are not a mechanism for  
9 producing recommendations as to how or what we should  
10 do. They just show us or give us observations, and  
11 then from those observations we have to deduct or  
12 infer what we want to do with that output.

13 Q Is the output distributed to other  
14 executives in the Postal Service?

15 A It is shared or reviewed by other people in  
16 the Postal Service, yes, depending on what is being  
17 discussed or reviewed. It's specific to some scenario  
18 or question that someone had asked us to review or  
19 model.

20 Q Would it routinely be provided to the  
21 district or area managers?

22 A Not unless there was something that was, you  
23 know -- as I said, if there were proposals that the  
24 district managers or local managers were considering  
25 on their own, and they said, we would like to see, run

1     this through your tools to make sure that they are  
2     consistent, and they actually are feasible, then, yes,  
3     that district manager or local manager would be privy  
4     to the output of the simulation models.

5           Q     They would be privy to the output that is  
6     shown on the exhibit in response to the interrogatory  
7     which we talked about earlier which had the list --

8           A     That is the optimization model. That is  
9     different than the simulation models.

10          Q     I stand corrected. Is that made available  
11     to the area and district managers?

12          A     What the district managers or the AM  
13     managers typically review are more network proposals  
14     based on the distribution concept, based on what we  
15     perceive the future roles of some of these facilities  
16     ought to be in the context of planning for some future  
17     either, as I said, facility projects, automation  
18     deployments, things like that. The optimization  
19     modeling output is not something that's widely  
20     distributed for some of the reasons I mentioned  
21     earlier because it has not been finalized, it has not  
22     been approved as a destination concept that we're  
23     absolutely going to implement the way the models had  
24     recommended.

25                   The way the process is, as has been defined

1 as of today, the END modeling output is essentially  
2 reviewed and shared from a conceptual standpoint with  
3 the local managers or a select group of local  
4 managers, as well as headquarters, to solicit  
5 feedback, gain input, and then we redo the models with  
6 that input to refine it and have been doing so for the  
7 past couple of years, and then, based on that, there  
8 are specific proposals from the local level where the  
9 AMP process, we definitely run those simulations and  
10 share the outputs with the local managers. But,  
11 again, the process, as described in my testimony, is  
12 that we look at the END modeling output, and if a  
13 decision is made to pursue certain aspects through the  
14 AMP process, then that's handled through the AMP  
15 review process, and then based on the guidelines  
16 prescribed in the handbook.

17 Q You say that decisions are made through the  
18 AMP process. They are not made by your superior. Is  
19 your superior a vice president?

20 A Correct.

21 Q Does he review the output?

22 A Yes, he does.

23 Q Has he ever directed that an AMP study be  
24 initiated?

25 A Not to the best of my knowledge.

1           Q     You've testified that you do not know what  
2     the impact will be on service over the next several  
3     years from the END process. Now, this proceeding is  
4     an END case called "Nature of Service Case," and given  
5     the fact that you don't know what the outcome of the  
6     service will be as a result of the END process, what  
7     kind of recommendation do you think the Commission  
8     would be able to provide to the Postal Service based  
9     on this situation?

10          A     I would like to respond to the fact that is  
11     relevant with my testimony, which assumes that if the  
12     Postal Service is to move forward with some of the  
13     recommendations as prescribed by the END network  
14     strategy and supported by some of the modeling output,  
15     we would obviously look at each of those specific  
16     implementation actions if they had impacts on service  
17     through the AMP process, where we quantify the impacts  
18     to service for a specific site or location in the  
19     network and quantify that, review it, and make a  
20     decision on whether to go forward with it or not.

21                 But, again, as I mentioned in my testimony,  
22     when we are trying to implement a network of this  
23     size, if the constraints that the Postal Service faces  
24     in terms of dealing with existing infrastructure -- I  
25     would like to use an analogy. We are trying to repair



1     and aircraft while it's flying. We are dealing with  
2     redesigning a network of this magnitude while we  
3     continue to process mail into these facilities, and,  
4     hence, the desire to proceed in a more cautious and  
5     evolutionary manner over time.

6             But, again, as I've also stated in my  
7     testimony, it is my point that it is very difficult to  
8     manage a network transition spread over so many years  
9     in such a large scope without having any impacts,  
10    upgrades or downgrades, to our service commitments to  
11    our customers, and, hence, our request that there is,  
12    with the Postal Service planning on embarking on a  
13    change to its national network which is going to go on  
14    for many years as those changes are finalized and  
15    begin implementation, you can quantify the impact to  
16    service, positive or negative. We would inform the  
17    Commission that those are the plans.

18            Q     When you attempt to finalize the RDC network  
19    or that portion of the network, do you expect you will  
20    use the same model that you use now, or will it  
21    require major modifications to the model to deal with  
22    the different type of situation. The RDCs are just a  
23    different animal from the local PNDCs. Would it  
24    require any major modifications to your model?

25            A     The RDCs are part of the concept that is

1 modeled through the optimization model, so maybe I  
2 didn't understand your question. Was it that would I  
3 need a separate model to model the RDCs?

4 Q Yes, or a major modification to the existing  
5 model.

6 A The existing model does model the RDCs.

7 MR. RICHARDSON: Thank you.

8 Those are all the questions I have, Mr.  
9 Presiding Officer.

10 Thank you, Mr. Shah.

11 VICE CHAIRMAN TISDALE: Is there any  
12 follow-up cross-examination?

13 MR. ANDERSON: Yes. Thank you very much. I  
14 have just a few questions.

15 VICE CHAIRMAN TISDALE: Okay.

16 CROSS-EXAMINATION

17 BY MR. ANDERSON.

18 Q Mr. Shah, as I understand it, the RDCs are  
19 part of the program that's already in place, but the  
20 Postal Service is developing an implementation and  
21 activation plan for the RDCs. Is that a fair  
22 characterization of what's going on?

23 A I'm sorry. You just said that the RDCs are  
24 the first part of -- no, the RDCs are not part of the  
25 current network.

1 Q No, no, but they are part of your design.

2 A They are part of the modeling design and  
3 planning concepts.

4 Q They have been modeled and planned, and the  
5 document that's in preparation now is a document that  
6 will be used to implement that plan and put the RDCs  
7 in place, as I understand it.

8 A Correct. The RDC Activation Plan, the  
9 document I referred to, is essentially a template that  
10 has been developed to assist in the implementation :  
11 any specific RDC activation.

12 Q It will not be your decision, as I  
13 understand it, as to whether or not any particular RDC  
14 is going to be implemented.

15 A That is correct.

16 Q Or as to whether any of them will be  
17 implemented. I gather, that's not your decision  
18 either.

19 A That is correct, too.

20 Q But your model certainly suggests they  
21 should be. Isn't that correct?

22 A That's the premise of the models and the  
23 distribution concept.

24 Q That's your belief, I assume. Isn't that  
25 correct?

1           A     From a modeling standpoint, which is what  
2     I'm responsible for, and a planning standpoint, yes.

3           Q     You've given five years of your life to it.  
4     I would assume you have an opinion about whether it  
5     ought to be done.

6           A     I would hope so.

7           Q     You hope it will be done, I assume.

8           A     I would hope that I would have an opinion.

9           Q     And do you?

10          A     I personally don't believe that I'm here to  
11     speculate on my opinions.

12               MR. ANDERSON:  Mr. Presiding Officer, I  
13     would ask that the witness be instructed to answer the  
14     question, whether he has formed a conclusion about  
15     whether the RDC plan should be implemented.  He is an  
16     expert.  He is the expert.  He has an opinion, and  
17     it's appropriate for him to express it.

18               VICE CHAIRMAN TISDALE:  You do have an  
19     opinion?

20               THE WITNESS:  I have my personal opinions on  
21     what should happen to the network, but I'm not, again,  
22     the decision maker, so --

23               VICE CHAIRMAN TISDALE:  Go ahead and respond  
24     to his question.

25               THE WITNESS:  Okay.  Yes.  As I said, based

1 on my observations and my beliefs about the merits of  
2 the distribution concepts and the opportunities, that  
3 I do believe it should be implemented.

4 BY MR. ANDERSON:

5 Q Would it be fair to say that the process has  
6 been set in motion through which it will be  
7 implemented?

8 A I'm not privy to any formal approval of an  
9 implementation plan that would essentially categorize  
10 that the recommendations are that the END models of  
11 the process are going to be implemented the way the  
12 models have recommended it. There are aspects, as I  
13 mentioned earlier, of this distribution concept that  
14 are being considered and, to some degree, are being  
15 put in motion again. The conversion of some of our  
16 bulk mail centers upgrading the technology, giving  
17 them the latest equipment, are taking them in the  
18 right direction to be converted to RDCs in the future  
19 if the Postal Service so desires.

20 Q Is there a plan in place now as to whether  
21 the decision to convert a particular facility to an  
22 RDC -- that decision will first be made in the field  
23 subject to review at headquarters, or will those  
24 decisions be made at headquarters?

25 A I'm not really certain as to if there is a

1 formal policy, where that activation decision will  
2 come from.

3 Q I'm not sure I understood the full import of  
4 your testimony a few moments ago about coming back to  
5 the Commission if it develops that there will be  
6 impacts. Could you elaborate on that, please?

7 A I think my point was, and if I  
8 miscommunicated that, I do apologize -- the intent of  
9 my comments were if the Postal Service decides to  
10 implement changes of a nationwide nature to its mail  
11 processing and transportation networks, and those  
12 implementations result in impacts, upgrades or  
13 downgrades, to whatever our existing service standards  
14 and commitments are at that point, we would come forth  
15 and provide the analysis and evidence of those  
16 impacts.

17 Q In terms of the END program, in a sense,  
18 that's what we're doing now, in that we're examining  
19 how the END program may impact service. Are you  
20 anticipating that the RDC implementation process will  
21 perhaps have similar impacts to what END is doing now  
22 and require a subsequent filing with the Commission  
23 through the RDC implementation?

24 A The RDCs are part of the END models or the  
25 modeling concepts, so they would follow or prescribe

1 to the same procedure. As I said before, the AMP  
2 process is only one mechanism that the Postal Service  
3 has at its disposal to implement some of the  
4 recommendations of the END models. Activating RDCs  
5 does not always directly imply that there is an AMP  
6 involved. If I'm activating a BMC, I'm taking an  
7 existing bulk mail center, upgrading the technology,  
8 and converting it into RDC, there is no AMP involved  
9 in that process. There are aspects of this network  
10 transition that have no direct correlation to AMPs.

11 Q In terms of either planning or operations,  
12 what were you alluding to, if you had something in  
13 mind that might be brought back to the Commission that  
14 might cause an impact on service and be brought back  
15 to the Commission, I would like to understand what  
16 that is. You had indicated that perhaps the Postal  
17 Service would be taking decisions or taking steps that  
18 would have an impact on service. and if that occurred,  
19 the Postal Service would return to the Commission with  
20 another request for advice.

21 A As I said before, if I, in my previous  
22 comments, said something that alluded to that fact, I  
23 did not mean it to sound -- what I tried to say was,  
24 as we are here and have -- with the Postal Rate  
25 Commission based on the plans for a nationwide network

1 redesign and the potential impacts, and if the Postal  
2 Service were to start implementing direct changes, as  
3 recommended through the END process, they would  
4 essentially be forthcoming with the quantification of  
5 those impacts.

6 Q I have a much more specific question for  
7 you. This will be easier, I think. The END models,  
8 as the model works, does it tend not to consolidate  
9 the most efficient small facilities or the less-  
10 efficient, small facilities? Does the model measure  
11 the efficiency of particular facilities in determining  
12 which facilities should be consolidated or not  
13 consolidated?

14 A I'm not completely sure I understand your  
15 question, but let me try and see if this is what  
16 you're trying to say. Does it make an assumption  
17 beforehand that a facility is efficient today and  
18 would remain efficient tomorrow? Is that your  
19 question?

20 Q Yes.

21 A As I said before in one of my responses, one  
22 of the reasons we use average for activities, and we  
23 do not assume that just because a facility is  
24 productive because of either its size or the  
25 operations that currently reside within that facility,



1     that it will necessarily be equally productive or less  
2     or more productive at the same time. There are  
3     certain facilities, due to operating conditions and  
4     environment, that are less productive today. We did  
5     not want to presuppose that they will continue to  
6     remain unproductive in the future, or they have the  
7     same productive --

8           Q     Thank you. I do remember that answer now.  
9     I think I have just one other line of questions, and  
10    I'll try to be brief.

11           With regard to the size of facilities -- Mr.  
12    Richardson went over several times small, medium, and  
13    large -- the size of facilities, and there was a lot  
14    of back and forth about size of facilities and size of  
15    operations, but would it be fair to generalize and say  
16    that the larger operations are in the larger  
17    facilities?

18           A     It's yes and no. I'll try to be specific,  
19    too. Sometimes you can have certain facilities that  
20    have larger operations by product or by types of  
21    products in a small or medium facility just because  
22    certain facilities could have heavier letter or flat  
23    volume, for example, and the size of the letter  
24    operation there could be larger than the flat or the  
25    package volume. But generally, if you look at larger

1 facilities, medium or larger facilities, in a more  
2 general sense, they will tend to have the opportunity  
3 for larger operations just because they have got more  
4 space and more equipment. However, that necessarily  
5 does not always equate to them having larger  
6 operations because they do not have enough mail volume  
7 today. They may have had it 10, 20 years ago. That's  
8 why I said yes and no.

9 Q I think when you were discussing this  
10 earlier, you protested that you were not an economist.  
11 Perhaps you're a mathematician. Are you a  
12 mathematician?

13 A I'm an engineer by training.

14 Q Lots of mathematical training, I'm assuming.

15 A Required. I did not volunteer for  
16 additional courses.

17 Q I'm just a lawyer myself, and mathematics  
18 isn't my thing. The Postal Service has been here for  
19 35 years or thereabouts, 36, give or take a few, and a  
20 lot of very talented people have spent their energies  
21 and spent their lives trying to make this a more  
22 efficient organization and doing well in many regards.  
23 But after all of that, the larger facilities are still  
24 less efficient than the smaller ones.

25 Not being able to really penetrate the

1 details of your model, I remain skeptical that your  
2 model is going to be able to turn around what to me  
3 seems to be a mathematical almost inevitability, and I  
4 wonder whether you would like to comment on that.

5 A I certainly do not want to either agree to  
6 or dispute your observation about the past of the  
7 Postal Service and what other people may have tried.  
8 I do know for a fact that the circumstances the Postal  
9 Service faces today, at least for the past five to  
10 seven years, have been different than what they had  
11 been in the past. We've had periods of increases in  
12 mail volume and periods of decreases, but typically  
13 they have always come back.

14 So to that extent, the dynamics that we face  
15 today in the organization, especially in operations,  
16 is a little bit different.

17 Now, as to you comment about large  
18 facilities continue to be inefficient, I don't think,  
19 and, again, this is my limited knowledge about the  
20 history of the Postal Service, that there have been  
21 fundamental network redesigns in the past 10, 20  
22 years. The BMCs, the bulk mail centers, were the last  
23 true network that was created about 30-plus years ago.

24 We've actually gone after a systematic,  
25 system-wide redesign and redefinition of distribution

1 flows, roles, changes, standardization to the degree  
2 that we've prescribed in the RDC concept and the way  
3 we've modeled with the RDC concept. Call me an  
4 optimist by nature. I am so, and the fact that I  
5 continue to champion this cause after five years is  
6 proof of that.

7           You asked for my opinion earlier. I'll give  
8 you my personal opinion, for what it's worth, about  
9 the merits of the idea, and it's not just my idea.  
10 There are a lot of talented people that have put into  
11 this concept, idea. So, yes, I do believe and am  
12 optimistic that the concept has a lot of good, valid  
13 points, and we may not need to end up implementing  
14 every element of this concept literally. There are a  
15 lot of good things about this concept that we can  
16 implement, and we probably are thinking about, in  
17 different components.

18           So, yes, as I said, I'm more optimistic now  
19 as regards certain large facilities or smaller  
20 facilities. Again, as I said, if you'll go back to  
21 the GAO report, it shows a fairly wide range of  
22 productivity even in larger facilities. I don't want  
23 it coming across that every large facility, just  
24 because it's large, it's inefficient. There are  
25 certain large facilities that have again

1 infrastructure, that have multiple floors, that have  
2 traffic congestion issues, that have fundamental, mail  
3 floor issues that make it less than optimal, which can  
4 hinder or limit its ability to be as productive as a  
5 smaller facility with one story, clean mail floor, and  
6 optimally designed.

7 Now, having said that, we recognize those  
8 issues and those characteristics, and we've put forth  
9 recommendations that if this is the ideal location for  
10 either a regional distribution center or a local  
11 processing center in the future, those factors should  
12 be taken into account. So the END model does not  
13 assume -- again, as I said, that's where we focus on  
14 size of operations. If I assume that a large  
15 operation inherently in the future needs to be housed  
16 in a large facility, I am giving management the option  
17 of saying maybe this building with these physical  
18 limitations may not be the right location. Maybe we  
19 need to invest in a newer building or newer space or  
20 different space, and, hence, my optimism.

21 MR. ANDERSON: Thank you, Mr. Shah.

22 VICE CHAIRMAN TISDALE: Is there any other  
23 follow-up cross-examination?

24 MR. RICHARDSON: Mr. Presiding Officer, I  
25 would like to ask a couple of questions, follow up, on

1 the discussion about the RDCs and whether or not there  
2 may be the need for a follow-up filing by the Postal  
3 Service, if I may.

4 VICE CHAIRMAN TISDALE: Okay.

5 CROSS-EXAMINATION

6 BY MR. RICHARDSON:

7 Q Mr. Shah, you indicated you thought there  
8 might be a situation down the road where perhaps the  
9 RDC implementation would have some impacts nationwide.  
10 Is that correct? When they are implemented, those  
11 RDCs would have some nationwide impact on service,  
12 will they not?

13 A As I said before, I did not say that the  
14 RDCs, as implemented, would have nationwide. What I  
15 said was if the Postal Service were to take  
16 recommendations out of the RDC concepts and begin a  
17 nationwide implementation of some future network,  
18 there may be the potential for impacts to service in  
19 parts of the country that would have to be quantified  
20 as either part of the AMP process or some other  
21 process to be defined in the future.

22 Q There are RDC documentation papers  
23 apparently being prepared that have not been filed in  
24 this case but were requested. Are you familiar with  
25 those?

1           A     If you could be more specific in terms of  
2     RDC.

3           Q     Similar to the AMP process.    The Post Office  
4     Manual 408.

5           A     Is this the planning, the document that  
6     you're referring to?

7                   MR. TIDWELL:   Are you referring to the  
8     activation plan?

9                   MR. RICHARDSON:   Well, the AMP.

10                  MR. TIDWELL:   There is an activation plan  
11     and a communications plan that have been discussed.

12                  MR. RICHARDSON:   P0408.

13                  MR. TIDWELL:   There is that, but there are  
14     the two RDC-related documents that have been  
15     discussed, the RDC Activation Plan and the RDC  
16     Communications Plan, and I assume you're referring to  
17     the activation plan.

18                  MR. RICHARDSON:   I guess that's what I'm  
19     referring to.   I was under the impression there might  
20     be a further document that mirrored the P0408 manual  
21     for AMPs.   Perhaps you can answer that, if there is  
22     one of those under preparation.

23                  MR. TIDWELL:   The activation plan has some  
24     features similar to but functions differently from the  
25     P0408.   You may seek clarification from the witness.

1 BY MR. RICHARDSON:

2 Q Are you familiar with any of those documents  
3 that are in preparation?

4 A I'm familiar with the overall construct of  
5 the RDC activation document, and the purpose of that  
6 document essentially is to address all of the  
7 operational-level details of activities that need to  
8 be conducted in order to activate a facility as a  
9 regional distribution center. Some of them are  
10 internal activities like movement of equipment,  
11 upgrade of technologies, ordering new equipment to be  
12 placed in these facilities. Some of them could be  
13 expansions to facilities. There's a number of  
14 different activities that need to happen internally to  
15 execute these transitions.

16 Q Does it include a worksheet for the annual  
17 savings similar to the AMP Worksheet No. 2?

18 A I am not familiar about -- there potentially  
19 -- there's a number of different templates or  
20 worksheets in there that talk about what's the cost of  
21 the transition. If you're going to move equipment, if  
22 you're going to upgrade technology, what's the cost  
23 associated with it? Typically, when we go through  
24 these kinds of facility projects or network activities  
25 which require capital expense dollars committed to it,



1     depending on the dollar amount, there is a DAR that we  
2     go through to justify here is the cost, here is the  
3     return on the investment, and go through the  
4     appropriate channels, whether it's the board of  
5     governors or other entities, depending on the approval  
6     level and dollars.

7             The other part of this activation would also  
8     be the impacts of the changes prescribed to the  
9     mailing industry. For example, if you're going to  
10    activate a regional distribution center in a facility  
11    that is currently a bulk mail center, and there is a  
12    change to the drop ship patterns or the preferential  
13    standards that mailers have today, we would  
14    essentially be working on those to identify and tell  
15    them that you would be dropping mail here instead of  
16    there now.

17            So those kinds of -- as I said, there's  
18    internal and external impacts that would be quantified  
19    as part of the planning or the activation exercise.

20            Q     Do you have a timeframe when those documents  
21    will be finalized where they could be filed with the  
22    Commission?

23            MR. TIDWELL: The Postal Service has  
24    indicated we anticipate that they would be finalized  
25    next week.

1                   MR. RICHARDSON: And that would cover all of  
2 the RDC documents in preparation that would be  
3 relevant to this proceeding.

4                   MR. TIDWELL: The RDC Activation Plan and  
5 the communications plan.

6                   MR. RICHARDSON: Mr. Presiding Officer, the  
7 reason I'm asking these questions is, as you know,  
8 this is a Section 3661 proceeding involving changes in  
9 the nature of service on a nationwide basis, and we do  
10 have a lot of documentation for the AMP process to  
11 date and the END process, but we don't have what seems  
12 to be the other half of the situation. We don't have  
13 the RDC documents.

14                   We haven't had an opportunity to review  
15 those, and it seems that one possibility for the  
16 Commission's proceeding is to segment that portion of  
17 the END process and review that at a later time once  
18 they have more information and review it under 3661.  
19 That is where I'm going with these questions, and I'm  
20 trying to elicit to see if there may be a reason or a  
21 simplification of dividing this case into two parts on  
22 that basis.

23                   MR. TIDWELL: In response, Mr. Chairman, I  
24 would note that -- I hate to titillate you, but having  
25 seen a draft of the RDC Activation Plan, I think that

1 the Commission will be able to come to a judgment  
2 fairly quickly about whether or not disclosure of that  
3 document warrants, let's say, additional discovery or  
4 other opportunities for parties to get further  
5 clarification, and then if a party wants to argue that  
6 somehow that provides some basis for further expansion  
7 of the case, I think we could deal with that question  
8 on the merits, but I wouldn't prejudge it. When you  
9 see the document, I think perhaps you'll see that  
10 there is less of a need for concern in that area.

11 MR. RICHARDSON: Thank you.

12 MR. TIDWELL: I'll state for the record,  
13 though, that the document is very near review. The  
14 team that is working on it anticipates having it final  
15 next week.

16 MR. RICHARDSON: At this time, we don't  
17 propose to file a motion to the effect that the case  
18 be segmented in some way. We are just advising the  
19 Commission that that is one of the issues that we have  
20 under consideration, but if these documents are filed  
21 as Mr. Tidwell represents, it seems like it may make  
22 more sense to continue with the RDC documentation in  
23 this case rather than have a second section to this  
24 case or another 3661 filing. Thank you.

25 Those are all the questions I have.

1                   VICE CHAIRMAN TISDALE: Okay. If those are  
2 all the questions you have, then I think it's about  
3 time that we take a break for lunch. We can take a  
4 break and be back about one-forty-five, and at that  
5 time, we'll continue with some questions from the  
6 bench.

7                   (Whereupon, at 1:45 p.m., a luncheon recess  
8 was taken.)

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1 consultants to do mathematical formulas for you and  
2 then yet a third series of consultants to work on the  
3 software to implement the mathematical formulas? When  
4 did that process actually end? When was it completed?  
5 Because I think I also heard that, as of 2004, you  
6 were using the END project to evaluate AMPs, but we  
7 didn't receive any notice of the END process and  
8 proposal until four or five months ago.

9 So could you explain the timeline for me  
10 because it seems that there is some confusion about  
11 it?

12 THE WITNESS: First, I'll start with the  
13 last comment about using the END models to compare or  
14 evaluate AMPs in 2004. No, I believe --

15 COMMISSIONER GOLDWAY: You had said, we've  
16 been doing modeling for a couple of years now, at one  
17 point in your testimony this morning.

18 THE WITNESS: Correct, but I also said that  
19 the models and the concepts were not refined and  
20 accepted as mainstream distribution concepts until  
21 sometime in the latter part of 2005, and so the point  
22 in time when management decided that the models and  
23 the distribution ideas and concepts were mature enough  
24 to be evaluated or used for evaluation purposes  
25 against an AMP proposal was basically around the end

1 of 2005, not 2004.

2 Now, I will go back and give you the  
3 timeline, Commissioner, as you have asked. 2000, and  
4 I'll kind of start with how the END -- at that point,  
5 it was called the Network Integration and Alignment,  
6 NIA, project came into existence. Sometime around the  
7 latter part of 2001 -- this was in the November-  
8 December timeframe -- the Postal Service decided to  
9 investigate the feasibility of developing a network  
10 optimization framework for looking at its mail  
11 processing and transportation networks.

12 In the early part of 2002, under my  
13 management, we submitted a request for information and  
14 proposals for a number of different consulting firms  
15 who are leaders in this field to submit a proposal how  
16 they would come in and, first, help us essentially  
17 identify the requirements for what we needed to do  
18 from an operations standpoint and subsequently help us  
19 with an evaluation of the software vendors and choices  
20 that we had to model our network. Through that  
21 competitive process in early 2002, we selected what  
22 was known as PriceWaterhouseCoopers Consulting, which  
23 is now part of IBM -- they won the competitive bid,  
24 and they came in and essentially --

25 COMMISSIONER GOLDWAY: When did they start

1 with you?

2 THE WITNESS: I'm trying to think. Sometime  
3 in the early part of 2002. I don't know the exact  
4 months, Commissioner, but I can definitely get back to  
5 you. I probably think it was probably February-March,  
6 sometime around that timeframe in 2002. They came in  
7 and basically helped us do two key things. We first  
8 spent a period of three or four months evaluating what  
9 is it that we are going to solve or model. What is  
10 the network problem that we are trying to solve, given  
11 these objectives, and the objectives were defined at  
12 that point that we were trying to develop a new  
13 network design that would give us the operational  
14 flexibility and allow us to standardize operations and  
15 reduce costs with improving consistency of service.

16 That was the charter that was broadly  
17 defined at that point. What we needed to do then was  
18 to narrow that down in terms of what it means in terms  
19 of a problem from a modeling standpoint. So we  
20 brought in some of the operations research experts  
21 working with PriceWaterhouseCoopers to help us define  
22 that.

23 At that point, once we had essentially the  
24 requirements for modeling defined, which was probably  
25 the middle to latter part of 2002, we then submitted a



1     proposal for a number of different software firms to  
2     submit proposals for whether their product is  
3     applicable to our needs, and based on that evaluation,  
4     we selected Logic Tools.

5             COMMISSIONER GOLDWAY:   And when was that?

6             THE WITNESS:   That was basically in the  
7     summer-fall timeframe for 2002.

8             COMMISSIONER GOLDWAY:   Okay.

9             THE WITNESS:   And once we had Logic Tools --  
10    again, this was not something that we would buy an  
11    off-the-shelf product, and it was directly applicable,  
12    so we had to spend some time educating the vendor and  
13    their resources to help customize the tool to our  
14    requirements.

15            So we basically did that for probably the  
16    rest of 2002, and we got the models to run and produce  
17    some output, which was early 2003.  At that point, we  
18    basically found, as I mentioned earlier, that the  
19    model did not produce a distribution concept, and so  
20    the model, as it was in that state, provided us with  
21    just a least-cost solution, not a true optimum network  
22    solution which could be implemented in any practical  
23    manner, given the Postal Service's mail products and  
24    mail flows.

25            So basically, we then spent time trying to

1 learn from what the models had produced as outputs and  
2 then define what a distribution concept should look  
3 like. We took ideas -- there are some practices that  
4 are currently available within the Postal Service's  
5 network that we learned something from. There is  
6 merit to some aspects of our operations that we can  
7 definitely replicate even in the future. Basically,  
8 we started defining what that distribution concept  
9 needs to be.

10 Once we had done that, obviously, we had to  
11 give time to the software vendors to reconstruct or  
12 refine their models to essentially be able to --

13 COMMISSIONER GOLDWAY: So the software  
14 vendors got that information when?

15 THE WITNESS: 2003. I'm trying to remember.  
16 Let's say sometime around the summer of 2003.

17 COMMISSIONER GOLDWAY: Okay.

18 THE WITNESS: And so basically the latter  
19 part of 2003 was spent trying to run some iterations  
20 of this model.

21 At the end of 2003-early 2004 timeframe, I  
22 think the OIG contacted us and started asking about  
23 whether we had developed some criteria or a process  
24 for independently verifying or validating the  
25 assumptions, the data, the model constructs, the logic

1 of the models, the outputs in any independent manner.

2 We basically told them that the independent  
3 verification we had was to get the external subject  
4 matter experts from academia or industry to come in  
5 and look at our assumptions, the models, the objective  
6 functions, and so on and so forth. But their  
7 recommendation was that we needed to do something that  
8 prescribed more to kind of the true IBM principles  
9 that the OIG has observed in other federal agencies  
10 for, as they define, mission-critical systems.

11 So they gave us some guidelines in terms of  
12 what we should do. The OIG's recommendations -- they  
13 had two recommendations to the Postal Service or one  
14 recommendation with two options: Either hire an  
15 external consulting firm to come and audit us for all  
16 these things or form an objective group of cross-  
17 functional people from within the Postal Service with  
18 OIG oversight to do the independent verification and  
19 validation.

20 Now, based on our brief experience with an  
21 external consulting firm coming in to try and analyze  
22 this network in a short period of time, which was done  
23 as part of the president's commissions, during that  
24 period when the president's commission was appointed,  
25 we had an external consulting firm which was asked by

1 the Commission to come and essentially validate our  
2 assumptions in four weeks' time, and we tried to tell  
3 them that if you really want to do an objective job,  
4 you cannot do it in four weeks' time: understand the  
5 postal network and try to model it with some degree of  
6 accuracy.

7           Based on a lot of those factors and  
8 considering that someone would have to come in and  
9 spend a lot of time and energy to learn every aspect  
10 of postal operations and data to be able to accurately  
11 replicate the models that we had designed, or at least  
12 be able to audit it in some clear fashion, the OIG  
13 agreed with our recommendation that we would follow  
14 the second option, which was appoint a team of cross-  
15 functional people from headquarters and in the field,  
16 and we would have OIG oversight.

17           So the audit process lasted about 10 to 11  
18 months because they came in and studied every aspect  
19 of the project -- the data, the assumptions, the  
20 models -- and that's the basis of what you saw in the  
21 IBM report that has been submitted.

22           So that was pretty much what we were  
23 involved in and working with, the auditing in 2004  
24 pretty much.

25           In early 2005, we basically took and made

1 all of the changes that needed to be made based on the  
2 recommendations of the audit team, and each time,  
3 again, we have to refresh the data sets, whether it's  
4 volume or cost. It takes us a couple of months to  
5 essentially go recreate all of the input files, and  
6 it's a few input files that we have to run through the  
7 models.

8           We made some minor changes to our  
9 assumptions that we were using for the models, based  
10 on some operational factors at that point, and then  
11 basically started running the models with the most  
12 current set of assumptions and distribution concepts  
13 around the middle part of 2005. At the same time, we  
14 were also, while we were running the models, we were  
15 also having operational review meetings with the field  
16 managers to educate them in terms of the distribution  
17 concepts or assumptions.

18           They were reviewing the outputs. They were  
19 providing us with feedback. We went back and fine  
20 tuned our modeling assumptions and reran the models to  
21 a point where basically around the end of 2005 there  
22 was a maturity in terms of the distribution concepts  
23 and the modeling that management felt was aligned  
24 with what they needed in terms of a decision support  
25 framework, and that's when we essentially started

1     then, at that point, to start evaluating or using the  
2     tools to evaluate some of the AMP proposals and went  
3     through notifying the unions and the PRC in the early  
4     part of 2006.

5                 COMMISSIONER GOLDWAY: But you did say that  
6     you were using these models, even if they weren't  
7     finalized, and you didn't feel that you could make  
8     them public to us. You were using them to review  
9     possible AMPs. You said that in your testimony that  
10    you had been using the modeling to review potential  
11    field changes.

12                THE WITNESS: No. We had been modeling or  
13    using the END optimization and simulation models to  
14    test different scenarios, but at that point, the  
15    modeling output had not been evaluated or accepted by  
16    management to be able to use them to align either with  
17    or identify AMP proposals.

18                COMMISSIONER GOLDWAY: So the AMP proposals  
19    that have been implemented or proposed to be  
20    implemented that have caused such controversy in the  
21    last year and a half, my own neighborhood, Marina del  
22    Ray being one of them, other places in California and  
23    New Mexico, other places around the country. Your  
24    models were not used to evaluate those AMPs.

25                THE WITNESS: That is correct.

1                   COMMISSIONER GOLDWAY: So they were going  
2 forward regardless of whether they might in the future  
3 fit into a scheme that included a backbone of mixed  
4 package and mail sorting facilities, which is what you  
5 proposed.

6                   THE WITNESS: There have been AMP proposals  
7 being considered or put on hold even before the END  
8 models were developed, while we were still considering  
9 those things. There have been other AMP proposals  
10 like -- you mentioned a marina -- that are a result of  
11 local management action and were generated locally and  
12 were not evaluated against any END models. That is  
13 correct.

14                  COMMISSIONER GOLDWAY: So that's one general  
15 question I had.

16                  Now, the next one is you listed principles  
17 for developing this model: least cost,  
18 standardization, flexibility, and efficiency. The  
19 words I've never heard, and continue never to hear,  
20 are the questions of highest consideration for the  
21 most expeditious collection of important mail, which  
22 is part of the law under which we operate. When you  
23 were told to evaluate what was efficient, were you  
24 given parameters as to how you could adjust service to  
25 define what was efficient and what met service

1 standards?

2 We had a complaint in front of us a year  
3 ago, which actually occurred more than that, about the  
4 shift from air to truck traffic around the country and  
5 how it had degraded service. We were not happy with  
6 that, but it was clearly a decision of the Postal  
7 Service to change service standards, and the principle  
8 of requiring the highest consideration for the  
9 expeditious collection of mail did not seem to me to  
10 be in that formula. Were you given any directions to  
11 say, how can we make mail get to more places faster?

12 THE WITNESS: Commissioner, first of all,  
13 the one other principle that I did mention along with  
14 the other objectives or principles was improving the  
15 consistency of service, which is --

16 COMMISSIONER GOLDWAY: What does that mean?

17 THE WITNESS: If your question was about the  
18 collection of mail at the point of origin, as we've  
19 described in terms of what the scope of this network -  
20 -

21 COMMISSIONER GOLDWAY: I'm talking about  
22 what we generally describe as J-plus-one, J-plus-two.  
23 The U.S. is already behind Europe in those standards,  
24 so I just wondered what were your frameworks.

25 THE WITNESS: The framework was essentially



1     that we would -- when I say improve consistency of  
2     service, one of the objectives is to ensure that  
3     through these objectives where we're trying to  
4     optimize cost or improve operational efficiencies,  
5     we're also positioning the network and the  
6     organization to be able to continuously improve our  
7     ability to induct, distribute, transport, and  
8     ultimately hand off to delivery in the fastest  
9     possible manner and the most efficient manner. I  
10    don't think we necessarily believe in trading one for  
11    the other, so it's a delicate balance where we try to  
12    essentially create a network that is optimizing costs  
13    and at the same time improving our ability to provide  
14    better service.

15               COMMISSIONER GOLDWAY: Did you have a  
16    parameter, a specific parameter, saying, we're going  
17    to maintain the status quo on the volume of mail  
18    that's delivered in one day, two days, three days, or  
19    we can adjust the volume of mail so that some portion  
20    of it that was overnight becomes two day, or some  
21    portion that's two day becomes three day, or some  
22    portion that's three day has to become two day? Were  
23    you given any parameters that dealt with the  
24    expeditious delivery of mail and trying to assure the  
25    bottom line or, in fact, even raise the standard?

1           THE WITNESS: I was not given any predefined  
2 or preset parameters for service standard changes,  
3 upgrades or downgrades. Again, we were asked to  
4 evaluate the different network strategies and quantify  
5 the opportunities as well as impacts, and it's been  
6 our position that as we make any changes to the  
7 network, we will evaluate these changes. If it means  
8 a consolidation of operations through the AMP process,  
9 we would quantify those changes through the AMP  
10 process or reviews. But from a network standpoint,  
11 there was no predefined input to the models to  
12 readjust existing service standards.

13           COMMISSIONER GOLDWAY: Did you actually  
14 measure the readjustment in service standards that  
15 your models caused?

16           THE WITNESS: One of the iterations of the  
17 model that we did which the IBM team reviewed under  
18 the assumptions that they were modeled regarding  
19 overnight service changes was quantified, and I think  
20 the numbers have been mentioned as part of the  
21 observations of the IBM team.

22           COMMISSIONER GOLDWAY: Was there any policy  
23 that said those were acceptable?

24           THE WITNESS: No. There has been no policy  
25 that has stated that. So, again, as I said, from a

1 modeling standpoint, from a modeling exercise  
2 standpoint, we were asked to study alternatives, which  
3 is exactly what we did.

4 COMMISSIONER GOLDWAY: I would assume that  
5 in order to build your optimization model, you had to  
6 map the volumes flowing between three-digit zones.

7 THE WITNESS: Correct.

8 COMMISSIONER GOLDWAY: Were the current  
9 volume flows mapped --

10 THE WITNESS: Yes.

11 COMMISSIONER GOLDWAY: -- and/or were the  
12 future volumes?

13 THE WITNESS: We've taken existing --  
14 obviously, when we started doing the process, we took  
15 the existing volumes at that point and created a  
16 three-digit-to-three-digit matrix of products, and  
17 then we have around sensitivities of increase and  
18 decrease in double digits of mail volumes by category  
19 to explore what the impacts to the network would be.  
20 We've looked at some ten-year forecasts, external  
21 forecasts, that have been generated by bodies like  
22 Global Insight to see what are the trends, and we saw  
23 that in some of those there have been optimistic and  
24 pessimistic scenarios. So we've taken some of those  
25 and said, what if a certain mail category went up by

1     10 or 20 percent or went down by 20 or 30 percent,  
2     what would be the impact to the network?

3             COMMISSIONER GOLDWAY:   So you do have a  
4     current volume map, and do you use a particular future  
5     network volume map now that you are using the END  
6     model to evaluate AMPs?   Do you use a future volume  
7     map when you evaluate those AMPs?

8             THE WITNESS:   Two things, Commissioner.   The  
9     AMPs are evaluated against our simulation models.  
10    Simulation models do not necessarily deal with volume.  
11    They deal with actual workload within a facility.   So  
12    we take the projected workload --

13            COMMISSIONER GOLDWAY:   The projected  
14    workload is based on future volumes.

15            THE WITNESS:   It would be based on whatever  
16    the AMP study considers the workload in the gaining  
17    facility to be.   We would obviously study for peaks in  
18    those volumes.   We don't follow seasonal trends and  
19    things like that.

20            COMMISSIONER GOLDWAY:   I don't understand  
21    how an AMP can make a proposal without also proposing  
22    getting from you some estimates of future volume  
23    unless they are just saying, we're going to merge the  
24    existing volumes from the existing plants, and there  
25    is going to be no change in volume.   Is that what they

1 do?

2 THE WITNESS: I'm not sure about exactly how  
3 the AMP review is done, Commissioner, but as I said,  
4 for at least the volume files, it will be used for  
5 modeling, to the best of my knowledge, the finance the  
6 finance organization has. They do take into account  
7 projected volume trends for at least the next 10 years  
8 as part of the official forecasts.

9 So we studied that from an optimization  
10 modeling standpoint. I also study Census Bureau data  
11 for population trends to understand the increase in  
12 delivery points across the country because that has a  
13 direct impact on the equipment requirements and the  
14 size of the facility. So we do that as part of the  
15 optimization models. I'm not 100 percent sure how the  
16 AMP review is conducted as regards volume forecasts in  
17 any of the proposals.

18 COMMISSIONER GOLDWAY: I guess what I'm  
19 looking for is both the current volume map that the  
20 Postal Service has and the future network that is  
21 plugged into the AMPs or into the modeling that you  
22 use. I would ask the Postal Service to provide the  
23 current volume map, whatever information you use for  
24 the future which is used to evaluate AMPs.

25 MR. TIDWELL: We can provide that

1 information. I believe we should be able to have the  
2 first part, an identification of what volumes we map,  
3 in relatively short order. As far as what volumes are  
4 used in the AMP process, I believe Witness Williams  
5 may be able to address that when he takes the stand.

6 COMMISSIONER GOLDWAY: Okay. That would be  
7 helpful.

8 MR. TIDWELL: Yes.

9 COMMISSIONER GOLDWAY: Then I have one other  
10 question. In the POIR that the Commission submitted,  
11 POIR No. 5, Question 7, we asked whether a nationwide  
12 future network identified by the END optimization or  
13 simulation model had been used as a benchmark to  
14 evaluate any AMP. Question 7 then asks what the basic  
15 characteristics of that benchmark future network are,  
16 such as how many RDCs, DPCs, et cetera.

17 The Postal Service's answer to Question 7  
18 was no, and it explains at great length that the END  
19 model evolves over time and is continuously updated  
20 and concludes that there is no one final nationwide  
21 future network used to evaluate all AMP proposals.

22 As so often happened in this case, the  
23 Postal Service answered a different question from the  
24 question that was asked. Question 7 didn't ask  
25 whether all AMP proposals will be validated against

1 the same future network but whether any AMP had been  
2 validated against any benchmark future network, and I  
3 believe your testimony indicates that some AMPs have  
4 been evaluated against a future benchmark.

5 I understand that the future network gets  
6 updated regularly, and I understand that any current  
7 AMP proposal has to be evaluated for consistency with  
8 what's defined now as a future network. So on behalf  
9 of the commissioners here, we're asking that the  
10 Postal Service pick a version of the future network  
11 against which it would validate an AMP proposal if it  
12 were submitted today and answer all of the specific  
13 subparts of Question 7 based on that version.

14 We would also like to ask the Postal Service  
15 to answer all of the specific subparts of Question 6  
16 of that POIR No. 4 based on the same version of a  
17 future network that you would identify for number  
18 five, seven. And the chairman has asked me to suggest  
19 that those questions be returned to us 10 days after  
20 the conclusion of this hearing.

21 MR. TIDWELL: Just so that I understand,  
22 we've got POIR 5, Question 7, and the other question  
23 is which one?

24 COMMISSIONER GOLDWAY: It's number six of  
25 POIR 4.

1 (Pause.)

2 COMMISSIONER GOLDWAY: I'm going to have one  
3 other question. Is there any facility currently  
4 operating in the postal system which you would define  
5 as a regional distribution center? You said there are  
6 six new surface transfer centers being developed this  
7 year. You would consider HASPs to be the equivalent  
8 of surface transfer centers. Have any of those HASPs  
9 been updated? Has there been any BMC that's been  
10 updated so that the future is now in at least one of  
11 those facilities?

12 THE WITNESS: Commissioner, as of today,  
13 there is no facility that has completely gone through  
14 all of the elements of transition to be labeled a  
15 regional distribution center, and as I mentioned  
16 before, in addition to the physical upgrades or  
17 transition activities, there are a number of  
18 administrative changes that need to happen in terms of  
19 labeling list changes and notification to the mailers,  
20 so and so forth, before we can activate a facility in  
21 the network and give it a designation of an RDC.  
22 There are a few of them that are in motions where they  
23 are taking the tactical steps to position them to be  
24 activated as regional distribution centers in the near  
25 future, but as of today, there are none, to the best



1 of my knowledge.

2 COMMISSIONER GOLDWAY: Do you have a  
3 timeframe as to when you expect any one of these to be  
4 online?

5 THE WITNESS: As of today, I would say no  
6 because there are other groups who are handling some  
7 of those activities, and I do not have their timelines  
8 to be able to speak to that in an accurate manner.

9 COMMISSIONER GOLDWAY: Is there a first step  
10 that some of them might have taken? Is it a series of  
11 transitions? I can understand that you may not have  
12 completed notification or full operation, but are  
13 there, just as there are new surface transfer centers  
14 being developed, are there BMCs that have taken the  
15 first step to transformation?

16 THE WITNESS: Kansas City is definitely one  
17 BMC where we have removed some of the older fixed  
18 mechanization. We are installing one of the APS  
19 machines in Kansas City, so we have definitely taken  
20 two significant steps in that direction to upgrade the  
21 Kansas City BMC and move in the direction of  
22 essentially accepting the role of a regional  
23 distribution center.

24 COMMISSIONER GOLDWAY: Are you doing any  
25 evaluation of the efficiencies of the operations there

1 to determine whether your modeling is correct?

2 THE WITNESS: It's still premature, ma'am,  
3 because -- I'm sorry, Commissioner -- that right now,  
4 in fact, we're trying to minimize disruption because,  
5 as I said before, we're trying to upgrade these  
6 facilities while they are still processing mail in  
7 them, and as you're aware, the bulk mail centers are  
8 an old network, and so there are inherent  
9 inefficiencies already in those facilities, and we're  
10 trying our best to curtail certain operations around  
11 the building while we cut the steel.

12 This is a fairly complex piece of material  
13 handling technology that's been there for 35 years, so  
14 to ensure employee safety and making sure we can still  
15 process mail, we are taking all of the necessary steps  
16 to minimize disruption. Once we have some of the  
17 older equipment out, and we've put the new equipment  
18 and some of the new standardized operating procedures  
19 in these facilities, we can then set about trying to  
20 evaluate the benefits of these concepts in such a  
21 facility.

22 COMMISSIONER GOLDWAY: So it's possible the  
23 END modeling might be adjusted based on the  
24 experiences you have in reconfiguring the BMCs to --

25 THE WITNESS: Absolutely, and not only just

1     BMCs, but that's been a core part of the modeling  
2     process. As we learn from our observations and  
3     interactions with anyone who can provide meaningful  
4     input, we definitely try to refine and solidify our  
5     assumptions so that we can produce a better and a more  
6     accurate output from the modeling process.

7             COMMISSIONER GOLDWAY: And are there  
8     measurements of service that are included in  
9     evaluating these?

10            THE WITNESS: Currently, the Kansas City BMC  
11     continues to function as a BMC and abide by the  
12     service commitments it has and the service area it  
13     serves. Some of the volume from the Kansas City BMC  
14     has been transitioned out of that building to be able  
15     to facilitate the demolition of the equipment.

16            COMMISSIONER GOLDWAY: Sorry to take so much  
17     time. The general concept, as I understand it, is to  
18     separate the mail by shape to make the handling of it  
19     more efficient, but by doing that, I'm concerned, and  
20     that's why I asked about the volume flows and the  
21     service standards, that the service standards for  
22     first-class mail are going to be compromised.  
23     Certainly, they already are. I'm aware that there are  
24     fewer overnight deliveries throughout the country.  
25     Your model also factors in some decline in first-class

1 mail over time.

2 THE WITNESS: Only the observed decline. We  
3 do not project any future declines. As I said, we  
4 take current volumes which reflect, obviously, and  
5 also we have some historical volume data files which  
6 reflect the actual decline, not a perceived one.

7 COMMISSIONER GOLDWAY: Have you done  
8 anything that would include modeling the impact on  
9 volume by reducing service standards; in other words,  
10 making the product less distinct from standard mail  
11 less the favorite product in the Postal Service, and,  
12 therefore, people would choose not to use it?

13 THE WITNESS: No, I have not.

14 COMMISSIONER GOLDWAY: You haven't estimated  
15 any of the impact of that.

16 THE WITNESS: No.

17 COMMISSIONER GOLDWAY: So it's just based on  
18 current history.

19 THE WITNESS: Correct, but as I said, I have  
20 run sensitivities where volume by class has been  
21 increased or decreased by X percent to test the  
22 sensitivities of what the impact would be on network  
23 capacity and cost. So when I run a scenario with a  
24 sensitivity, assuming that there is either an increase  
25 in priority mail volume or an increase in first-class

1 mail volume or an increase in standard or the converse  
2 of those, some aspect of those sensitivities will play  
3 out in the near future in terms of actual mail  
4 volumes.

5 What we've tried to do is be conservative  
6 and say, let's take an optimistic view of the world  
7 and assume that the Postal Service continues to enjoy  
8 the mail volumes it does today and probably grow.

9 COMMISSIONER GOLDWAY: Do you think your  
10 system overall, the new END system, has more  
11 flexibility to absorb standard mail growth or first  
12 class mail growth?

13 THE WITNESS: It can handle -- when you say  
14 "END system," I'm responding to it in terms of the RDC  
15 concepts and the models, what we have produced as  
16 models because it doesn't exist in reality. It  
17 depends on what type of facility we're talking about.  
18 The regional distribution centers can handle the spike  
19 of growth for any product class, the way it's  
20 designed. Now, of course, if there is a point in  
21 time, and I hope there isn't that point in time, where  
22 the mail volume growth far exceeds the expectations or  
23 the assumptions we've factored in, in which case we  
24 would have to have either additional equipment or  
25 additional network capacity.

1                   COMMISSIONER GOLDWAY: I guess I'm looking  
2     at the fact that you're standardizing systems and  
3     adjusting delivery as I imagine it, that there would  
4     be an emphasis on standard delivery around the country  
5     rather than on overnight delivery, and, therefore,  
6     when there is a growth in volume, the way you've  
7     developed the system, it would absorb standard mail  
8     more easily than first-class mail.

9                   THE WITNESS: No, Commissioner. To the best  
10    of my knowledge, there are no assumptions in the model  
11    that have already assumed that there is going to be a  
12    generalization of service standards by mail products.  
13    As I said, one of the things we have tried and assumed  
14    is that the current service standards for products --  
15    first class, standard, priority mail, express --  
16    continue to exist in the future.

17                  What we have done is evaluated distribution  
18    concepts which have assumed or made certain  
19    assumptions around a redefinition of the overnight  
20    service area that a mail processing facility services  
21    to see what would be the impact, both from a  
22    processing capacity and a cost standpoint and service,  
23    of greater degradation, again, purely from a modeling  
24    standpoint, which is what the purpose of this exercise  
25    initially was.

1                   COMMISSIONER GOLDWAY: Will the RDCs handle  
2     trays of first-class mail as well as trays of standard  
3     mail?

4                   THE WITNESS: Yes. From a consolidation, if  
5     you have two- and three-day mail, for those products  
6     for consolidation purposes, because, again, the  
7     regional distribution centers are going to act also as  
8     -- the capacity of surface transfer centers for  
9     transportation consolidation, so we would have the  
10    necessary material-handling equipment in these RDCs to  
11    handle trays of first-class mail.

12                  COMMISSIONER GOLDWAY: Okay. All right. I  
13    think I've used enough of my time. Thank you for your  
14    patience. Thank you for your answers.

15                  THE WITNESS: My pleasure.

16                  VICE CHAIRMAN TISDALE: Thank you,  
17    Commissioner Goldway.

18                  Chairman Omas, do you have any questions?

19                  CHAIRMAN OMAS: No questions.

20                  VICE CHAIRMAN TISDALE: Commissioner  
21    Hammond?

22                  COMMISSIONER HAMMOND: Yes. I have a couple  
23    of questions here, mostly for clarification and  
24    information.

25                  In your discussion with Counsel Richardson

1 earlier, you said you began the optimization process  
2 by formulating in mathematical terms the problem you  
3 were trying to solve. Could you provide those initial  
4 mathematical formulations to the Commission?

5 THE WITNESS: They are already provided in  
6 the form of the modeling requirements documents.

7 COMMISSIONER HAMMOND: So that's there for  
8 us.

9 THE WITNESS: Yes.

10 COMMISSIONER HAMMOND: Okay. And I would  
11 like to clarify something that was said in the earlier  
12 discussion about cost functions. Does the END model  
13 use a separate cost function for each operation in  
14 each facility, or does it assume three cost  
15 functions -- small, medium, and large -- for each  
16 operation?

17 THE WITNESS: Yes to the latter. It assumes  
18 cost functions by operation broken into the three  
19 categories: small, medium, and large.

20 COMMISSIONER HAMMOND: Okay. So when you  
21 say that these cost functions reflect actual facility-  
22 specific productivities, what do you mean by that?

23 THE WITNESS: When we developed the basic  
24 structure of the cost equations, we took into account  
25 the actual productivity of facilities in developing



1     those cost functions. So the productivity is factored  
2     in there, but when we consider the capacity of a  
3     function, what we try to do is assign capacity to a  
4     three-digit Zip code. So, hence, the distinction  
5     between average productivities for capacity functions  
6     versus facility-specific productivity that goes into  
7     the formulation of the basic cost functions.

8             COMMISSIONER HAMMOND: Okay. I think that  
9     is all that I have for right now.

10            VICE CHAIRMAN TISDALE: Thank you,  
11     Commissioner Hammond.

12            I have a couple of questions I would like to  
13     ask. It's my understanding that the Postal Service is  
14     going forward with network alignment, even though it  
15     does not yet have a transportation optimization model  
16     in the END program. Is that correct?

17            THE WITNESS: We do not have it at the  
18     moment as part of the END models that optimizes  
19     transportation routing and scheduling for surface  
20     mail. That is correct, but we are developing one. It  
21     has been a project approved by the board of governors  
22     and will be ready for use early next year.

23            VICE CHAIRMAN TISDALE: It would seem to me,  
24     and you can correct me if I'm wrong, that regardless  
25     of how efficient a consolidated mail processing center

1     might be, if you don't have transportation to the  
2     delivery units or to the delivery processing unit,  
3     then it doesn't make much difference. Is that not  
4     correct?

5                 THE WITNESS: That is correct. We assume  
6     that the transportation we have in place today, if  
7     anything, has opportunities for improvement. So there  
8     is enough transportation going from plants to delivery  
9     units to carry all the mail in today's environment,  
10    and we've used or made the assumption that that  
11    transportation and the resources are available in the  
12    future.

13                Again, as I said, we have taken a  
14    conservative approach where we have not optimized the  
15    transportation routes and schedules between mail  
16    processing facilities and the long-haul transportation  
17    in the network. The transportation from areas of post  
18    offices to a plant is more for localized  
19    transportation, and it's more of a shuttle run that  
20    carries mail back and forth, and we have assumed no  
21    savings opportunities out of that transportation.

22                COMMISSIONER GOLDWAY: But the experience in  
23    the current consolidation in Los Angeles was that if  
24    you used transportation estimates that are in the  
25    planning, they were wildly wrong because, in fact, the

1       transportation took longer than anyone planned when  
2       that consolidation was implemented.

3               THE WITNESS:   Commissioner, I'm not  
4       completely familiar with every detail of the marina  
5       AMP.   I'm assuming you're talking about the marina  
6       AMP.

7               COMMISSIONER GOLDWAY:   Yes.

8               THE WITNESS:   One of the problems we do  
9       have, and we realize today, is that there is not  
10      enough data or visibility into our transportation mail  
11      flows and through the network to give us a better  
12      handle on how to optimally route and schedule  
13      transportation.   It's not a lack of transportation  
14      assets.   Sometimes it's just that it's not most  
15      efficiently routed or optimized in terms of their  
16      schedules.

17              We are, as an organization, spending a  
18      considerable amount of resources investing in scanning  
19      technology that will start scanning mail between major  
20      mail processing facilities in the network.   We already  
21      do it for air, but we're going to do it for surface as  
22      well.   When you have visibility of mail from a  
23      handling unit level to a container to a truck, we can  
24      better adjust and manage our mail flows as well as  
25      transportation.

1                   COMMISSIONER GOLDWAY: But that's in the  
2 future.

3                   THE WITNESS: It's happening today. As we  
4 speak, the surface visibility and the scanners have  
5 been deployed to 135 mail processing sites, which  
6 accounts for roughly 80 percent of our volume, and  
7 it's a phased program. So it's being done today.  
8 Some of the tools that I mentioned before, I'm not  
9 disagreeing that some of these tools were not  
10 developed or were not available two years ago.

11                  VICE CHAIRMAN TISDALE: You had mentioned  
12 earlier that the plan for RDCs were part of the model,  
13 but that the sites for them had not, in fact, been  
14 selected. Is that correct --

15                  THE WITNESS: The sites were --

16                  VICE CHAIRMAN TISDALE: -- for RDCs?

17                  THE WITNESS: Many of these RDCs have not  
18 been finalized. The model has recommended geographic  
19 areas, which would be good locations to locate these  
20 regional distribution centers. Management has not  
21 made the decision that these are the final sites or  
22 the final number of these RDC locations.

23                  VICE CHAIRMAN TISDALE: Wouldn't it seem  
24 that since the RDCs may be the backbone of the end  
25 process, that you would make a decision on whether

1       transportation is going to be available prior to any  
2       consolidation of any mail processing functions?

3               THE WITNESS: Again, maybe I need to better  
4       understand your question regarding transportation,  
5       because there is transportation running between every  
6       mail processing facility are in the network from a  
7       long-haul standpoint, as well as a localized delivery  
8       standpoint today, from a network connectivity. And if  
9       you look at it from a cost standpoint, mail processing  
10      opportunities are costs from an annual standpoint, you  
11      know, are close to \$14-15 billion, while the  
12      transportation that you consider for the long-haul  
13      transportation for surface, because that's really what  
14      we're talking about here, is basically two-and-a-half,  
15      three billion dollars. So, not that it's a small  
16      amount or not that it's not important to optimize,  
17      which is why we're making all of these investments,  
18      but the first thing that we need to solve or we needed  
19      to design was a mail processing infrastructure, making  
20      sure that there is the right network in place.

21             The second step, then, obviously, would be  
22      to optimize the transportation routing and scheduling  
23      between those nodes in the network, as we start  
24      implementing the network. And we are investing in the  
25      technologies and the tools to aid the personal service

1 in this transportation. As we start activating an RDC  
2 or a local processing center, we have the most  
3 optimized transportation put in place to leverage the  
4 benefits and the efficiencies targeted for this  
5 network redesign.

6 VICE CHAIRMAN TISDALE: It sounds to me that  
7 you're redesigning the mail processing processes and  
8 then telling the transportation people, here, make  
9 this work.

10 THE WITNESS: Actually --

11 VICE CHAIRMAN TISDALE: Is that what's going  
12 on?

13 THE WITNESS: No, that is not correct. What  
14 we are doing is a simultaneous process. As I'm sure  
15 you followed some of the news regarding the air  
16 transportation, we have been changing the way we do  
17 business with our winders and our carriers, trying to  
18 make sure that we get the most -- the best service for  
19 the money we spend, as regards to air transportation.

20 As regards to redesigning the transportation  
21 network, in order to truly optimize that networking  
22 routes and schedules -- I mean, we've been doing that  
23 irrespective whether we started the network transition  
24 or not. In the last four or five years, the network  
25 operations has taken hundreds of millions of dollars

1 of costs out of the transportation network by better  
2 routing, scheduling mail through these HASPs. That's  
3 why we are setting up these STCs. So if you just talk  
4 about -- reflect on the comments I made earlier, we're  
5 not meaning to implement the RDCs before we start,  
6 trying to optimize or leverage transportation. It's  
7 almost a simultaneous process, because we need to --  
8 we are spending a lot of money in moving mail today,  
9 setting up the HASPs or STCs in today's network, to  
10 get those efficiencies and cost savings and improve  
11 the consistency of services being done now, which is  
12 why we're activating the five or six new STCs to give  
13 us an integrated surface transfer network for --  
14 surface transportation in the next year or two. So --  
15 and that would also position us better to be able to  
16 transition workload and mail into the RDCs, as we  
17 start redesigning the network.

18 So, we are definitely not waiting for  
19 getting savings and efficiencies out of mail  
20 processing or the RDCs, as the expense of  
21 transportation. In fact, it's the other way around.  
22 Transportation is the most tangible part of our  
23 business and the most fluid, which we can move around,  
24 because, again, a lot of these STCs and HASPs do not  
25 have a lot of automation and machinery in them.

1 They're basically crossed out facilities with minimal  
2 material handling equipment.

3 VICE CHAIRMAN TISDALE: Is it the Postal  
4 Service's view that each time you run the end program,  
5 it produces a sufficiently accurate representation of  
6 RDC network to support evaluating the AMP studies?

7 THE WITNESS: I think that there's -- maybe  
8 the testimonies I've given today have created this  
9 distinction between the RDCs and the rest of the  
10 network and the phrase "backbone" is being referred  
11 to. And I would like to go on record to kind of put  
12 it in the right context. The RDC concept includes  
13 three critical types of network roles. One is that of  
14 a regional distribution center, which is, as I said  
15 before, the primary place where we will do single  
16 piece sortation of all packages and we will also have  
17 the STC role co-located in that building.

18 The role of the local processing center and  
19 a destinating processing center is no less important.  
20 That is the primary facility where we are processing  
21 letter and flat mail. And that network has to be  
22 looked or considered as an integral or integrated part  
23 of the future network. So, there are no separate  
24 tracks for activating RDCs versus LPCs or a sequential  
25 phase, where we have to activate RDCs first before we



1     can bring up LPCs.  It's a supporting role.  And these  
2     are typically the way we have looked at a few of those  
3     AMPs or evaluated them through the end tools, have  
4     been linked with these local or destinating processing  
5     centers.

6                 So, when we convert a regional distribution  
7     center or when we activate one of thee BMCs, we are  
8     not impacting -- or I'm sorry, we are not essentially  
9     linking that through an AMP, because an AMP has a  
10    different set of guidelines, which it follows, which  
11    is different from taking a BMC, converting, taking  
12    some equipment out, putting some new equipment in  
13    there, and essentially changing its operating  
14    principles.

15                VICE CHAIRMAN TISDALE:  Okay.  In a previous  
16    discussion, you stated that the model does not begin -  
17    - the END model, that is, does not begin by assigning  
18    mail processing operation to the largest facilities.  
19    However, on page 18 of Library Reference 2 --  
20    correction, Library Reference 17, Table 2, shows the  
21    first step in assigning zip codes is to run all  
22    regional models assuming a large size classification  
23    for each facility.  Can you clarify that apparent  
24    contradiction?

25                THE WITNESS:  Actually, it isn't a

1 contradiction. It's consistent with what I've said  
2 today, which is the model's focus on size of  
3 operations. The END model assign workload -- or I'm  
4 sorry, assign a zip code to a large operation, not a  
5 large facility. And the reason we do that is,  
6 essentially, there are -- you know, we make that  
7 assumption that every operation that its assigned to  
8 is a large operation. And based on that, it assigns  
9 zip codes and associated workload and capacity to  
10 those large operations and quantifies requirements for  
11 equipment and space. And outside, once the model has  
12 produced output, two people essentially sits and looks  
13 at the output to see whether the operation that's been  
14 classified, that actually needs to be a larger or  
15 medium, based on the workload and equipment that goes  
16 in there.

17 So, the assumption is that the model  
18 automatically assumes that every operation is a large  
19 operation. But, by the time the model iterations are  
20 done, it reallocates -- or the results are reallocated  
21 into the appropriate bucket based on the size of the  
22 operations. So, the final output does not show each  
23 operation as large. It's just the first step of the  
24 modeling.

25 VICE CHAIRMAN TISDALE: Okay. So, it can

1 end up in any size operation.

2 THE WITNESS: Correct.

3 VICE CHAIRMAN TISDALE: That's what you're  
4 saying.

5 THE WITNESS: And in any size facility.

6 VICE CHAIRMAN TISDALE: Okay. I just have a  
7 couple more things. On Friday, the Postal Service  
8 filed its response to OCA-USPS-T-1-34(b) under  
9 protected conditions. The response provides the  
10 standard equation of a line and does not answer the  
11 OCA's question, which asks for the slope and intercept  
12 of each equation for each operation used in the END  
13 model. The Commission is interested in this  
14 information. I would ask the Postal Service to  
15 provide the actual slope and intersect, as requested  
16 by the OCA.

17 MR. TIDWELL: I'm sorry, can you repeat the  
18 question?

19 VICE CHAIRMAN TISDALE: Okay. I think you  
20 asked me to repeat the question, is that right?

21 MR. TIDWELL: That's correct.

22 VICE CHAIRMAN TISDALE: Okay. The question  
23 is that on Friday, the Postal Service filed its  
24 response to OCA-T-1-34(b) under protective conditions.  
25 The response provides the standard equation of the

1 line and does not answer the OCA's question, which  
2 asks for the slope and intercept of each equation for  
3 which operation -- for each operation used in the END  
4 model. The Commission is interested in this  
5 information and is it possible for the Postal Service  
6 to provide it?

7 MR. TIDWELL: The Postal Service will seek  
8 to clarify its response and supplement it as  
9 necessary.

10 VICE CHAIRMAN TISDALE: Okay. Can we expect  
11 that within the next seven days?

12 MR. TIDWELL: Yes.

13 VICE CHAIRMAN TISDALE: Okay. And one final  
14 question for you, Mr. Shah. I understand that as you  
15 described the end process and the out process, the end  
16 process seems to be -- to characterize it as a kind of  
17 a top down process and the out process seems to be a  
18 bottom up process. Would that be a correct  
19 characterization?

20 THE WITNESS: Yes, it would.

21 VICE CHAIRMAN TISDALE: Okay. Mr. Tidwell,  
22 would you like some time with your witness to review  
23 whether there is a need for redirect?

24 MR. TIDWELL: Yes, Mr. Presiding Officer.  
25 Could we have five minutes?

1 VICE CHAIRMAN TISDALE: Okay. We'll break  
2 now and come back at five minutes to 3:00.

3 (Whereupon, a brief recess was taken.)

4 VICE CHAIRMAN TISDALE: Mr. Tidwell, any  
5 redirect?

6 MR. TIDWELL: No, Mr. Chairman.

7 VICE CHAIRMAN TISDALE: Mr. Shah, that  
8 completes your testimony here today. We appreciate  
9 your appearance and your contributions to our record.  
10 Thank you.

11 MR. ANDERSON: Mr. Presiding Officer, excuse  
12 me. I hate to interrupt you, but just before you say  
13 the magic words that the witness is dismissed, in  
14 which case I would have to move to recall him. I  
15 wonder if I could be indulged to follow up on one  
16 question asked by Commissioner Goldway and one  
17 question asked by yourself?

18 VICE CHAIRMAN TISDALE: Okay.

19 MR. ANDERSON: Thank you, very much.

20 BY MR. ANDERSON:

21 Q Commissioner Goldway was asking you about  
22 the impact of combination of shapes of mail on service  
23 standards, do you recall? And so, I move to ask you,  
24 if at RDCs, for example, trays of first-class mail and  
25 trays of standard mail must be combined for

1     transportation, then it would seem to me that service  
2     standards, as in promise -- you know, one-day, two-  
3     day, three-day service standards are going to take  
4     second place to the need to combine for transportation  
5     efficiency. Is that a correct understanding?

6           A     That is not correct. The fundamental  
7     assumption in the END models and the distribution  
8     concept is that we would always assume or assign the  
9     most aggressive service standard from a mail  
10    consolidation standpoint. So, if basically, there is  
11    a -- if we have to dispatch a truck because of our  
12    commitments for first-class mail or pref mail, as we  
13    call it, that would take precedence over opportunities  
14    for consolidation of other classes of mail onto that  
15    same container or truck. Where opportunities exist  
16    and we have capacity available, without compromising  
17    service, we would essentially put it in two-day or  
18    three-day mail that's available for dispatch. This is  
19    how we have modeled the network.

20          Q     I was pausing not to let you elaborate, but  
21    to wait until Commissioner Goldway was listening,  
22    because it was her question I was following up on.  
23    I'm sorry, I didn't mean to be rude. On the contrary,  
24    I was trying to be polite. But, I guess my point is  
25    that insofar as the effect of this process is to

1 somewhat degrade delivery standards for first-class  
2 mail, insofar as the consolidation of shaped-based  
3 mail, letter mail for transportation results in  
4 standard mail being unloaded out of the same vehicles  
5 as the first-class mail, there's a blending of service  
6 for the two classes of mail. That's the trend that I  
7 understood Commissioner Goldway to be describing. And  
8 I think that has some validity, I posit to you.

9       A     There is -- again, the consolidation is  
10 really from a destinating standpoint, Commissioner,  
11 that we are at a -- let's hypothetically say at a  
12 processing and distribution center. And I have a  
13 truck that is going to my delivery unit with first-  
14 class mail. If the capacity exists and essentially I  
15 have mail of any other class present for dispatch, it  
16 would only make sense that as long as I'm not  
17 compromising service, I would make best use of space  
18 on the truck.

19           COMMISSIONER GOLDWAY: That's my concern  
20 about the service standards. I didn't get any real  
21 clear answers from you or from the documents about the  
22 bottom line that you are going to assure for service  
23 standards. And if, in fact, the trends continue, as  
24 they have been, which is to reduce the number of zip  
25 code pairs that are overnight and to make more of them

1 second day and third day, then you're giving  
2 yourselves more time to include the standard mail on  
3 the trucks and the standard mail and the first-class  
4 mail look more and more alike. So, unless you can  
5 assure me that those first-class mail stream has  
6 service standards, which are at least as good as now  
7 or hopefully better, then I see this END system as a  
8 system that's merging standard mail and first-class  
9 mail.

10 THE WITNESS: Again, as I said,  
11 Commissioner, there is no explicit mandate for the  
12 distribution concepts that we have modeled to degrade  
13 or downgrade service standards for first-class or any  
14 other class. The fact that we have evaluated network  
15 ideas or concepts, which look at ultimate distribution  
16 concepts of networks and its potential impacts, both  
17 from a cost and service standpoint, is just, as I said  
18 before, a theoretical exercise, which we were asked to  
19 conduct. In fact, we've been asked by the mailing  
20 industry back in 2003, as part of the mailing industry  
21 task force, that the Postal Service, through the then  
22 NIA process, should consider evaluate all sorts of  
23 different network combinations or alternatives as part  
24 of this academic exercise. A theoretical exercise  
25 does not mean we will implement it. I have not heard



1       anybody in Postal management to this day say that we  
2       are essentially compromising or changing the overnight  
3       service standards.

4                       BY MR. ANDERSON:

5               Q     Mr. Presiding Officer, the Presiding  
6       Officer's question that I wanted to follow up had to  
7       do with availability of transportation. And you  
8       observed that all of the mail is being transported  
9       now. But, I think perhaps you're not as sensitive as  
10      perhaps some of the rest of us are to the changes that  
11      are taking place at the AMP level, the AMP level,  
12      where it seems to be systematically looking at these  
13      first 10, anyway, that as mail is consolidated, it's  
14      moved from its originating place to someplace farther  
15      down the road. So, as I say, systematically, the  
16      originating mail seems to be moving to a mail --  
17      consolidated for mail processing farther away than it  
18      was before. That necessitated transportation to where  
19      it's being processed and transportation back again.  
20      And I think, at least from my ears, it was partly in  
21      that context that I was hearing the question, don't  
22      you really need to work out the transportation network  
23      and needs, in order to be able to effectuate all of  
24      this consolidation, because it is going to result in  
25      additional transportation.

1           A     I will let Witness Williams discuss the  
2     measurement or aspects of transportation, as it  
3     relates to an AMP. The scope of the END models really  
4     is limited to what we call function one mail process.  
5     So, it's the main processing distribution centers, the  
6     bulk mail centers, and the transportation that runs  
7     between them. We really do not optimize the  
8     transportation between the plants and delivery units  
9     per se. That is one of those local analysis that  
10    would be conducted based on any specific consolidation  
11    opportunities.

12           MR. ANDERSON: I think I understand. Thank  
13    you. Thank you, sir.

14           VICE CHAIRMAN TISDALE: Mr. Shah, that  
15    completes your testimony here today. We appreciate  
16    your appearance and your contributions to our record.  
17    Thank you. You are excused.

18           (Witness excused.)

19           VICE CHAIRMAN TISDALE: Mr. Tidwell, will  
20    you identify the next Postal Service witness, so that  
21    I can swear him in?

22           MR. ANDERSON: The Postal Service calls  
23    David Williams to the stand.

24    //

25    //

1 Whereupon,

2 DAVID WILLIAMS,

3 having been first duly sworn, was called as a witness  
4 herein, and was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. TIDWELL:

7 Q Mr. Williams, I've placed before you on the  
8 table a copy of the document that is entitled "the  
9 direct testimony of David E. Williams on behalf of the  
10 United States Postal Service." It's been designated  
11 for purposes of this proceeding as USPS-T-2. If you  
12 were to provide the contents of this document as your  
13 testimony orally today, would it be the same?

14 A I have made some minor changes to it.

15 Q Could you, please, read those into the  
16 record?

17 A Under my autobiographical sketch, I've had a  
18 change in my processing operations group has undergone  
19 a restructuring and I would like to make those  
20 changes. The processing operations group includes  
21 processing center operations, a group called network  
22 distribution center operations, a group called  
23 operations technical and systems integration support,  
24 and a group called network alignment and  
25 implementation.

1           I have also made a minor change on page  
2   four, line 14, evaluation of possible changes in  
3   service standards for mail.

4           And on page seven, line four, projected  
5   efficiencies and/or service standard changes.

6           Q     With those changes --

7           MR. ANDERSON: Pardon me, Mr. Tidwell, I  
8   haven't been able to follow that. Page seven, line  
9   four?

10          THE WITNESS: Page seven, line four, the  
11   projected efficiencies and/or service standard  
12   changes.

13          MR. ANDERSON: And strike "improvements?"

14          THE WITNESS: Correct.

15          MR. TIDWELL: With those changes, the Postal  
16   Service would move the direct testimony of David  
17   Williams into the record.

18          VICE CHAIRMAN TISDALE: Is there any  
19   objection?

20          (No verbal response.)

21          VICE CHAIRMAN TISDALE: Hearing none, I  
22   direct the counsel to provide the reporter with two  
23   copies of the corrected direct testimony of David E.  
24   Williams. That testimony is received into evidence.  
25   However, as is our practice, it will not be

1 transcribed.

2 (The document referred to was  
3 marked for identification as  
4 Exhibit USPS-T-2 and was  
5 received in evidence.)

6 VICE CHAIRMAN TISDALE: Mr. Williams, have  
7 you had an opportunity to examine the packet of  
8 designated written cross-examination that has been  
9 made available to you in the hearing room this  
10 morning?

11 THE WITNESS: Yes, I have.

12 VICE CHAIRMAN TISDALE: If the questions  
13 contained in that packet were posed to you orally  
14 today, would your answers be the same as those you  
15 previously provided in writing?

16 THE WITNESS: I'm sorry, could you repeat  
17 that, please?

18 VICE CHAIRMAN TISDALE: If the questions  
19 contained in that packet were posed to you orally  
20 today, would your answers be the same as those you  
21 previously provided in writing?

22 THE WITNESS: We have filed an errata on  
23 OCA-USPS-T2-18.

24 VICE CHAIRMAN TISDALE: Okay.

25 THE WITNESS: And it's in the package.

1 VICE CHAIRMAN TISDALE: That is in the  
2 packet, okay. Anything else? Any other corrections?

3 THE WITNESS: No, sir.

4 VICE CHAIRMAN TISDALE: Okay. Counsel,  
5 would you, please, provide two copies of the corrected  
6 designated written cross-examination of Witness  
7 Williams to the reporter? And that material is  
8 received into evidence and is to be transcribed into  
9 the record.

10 (The document referred to was  
11 marked for identification as  
12 USPS-T2 and received in  
13 evidence.)

14 //

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16 //

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18 //

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22 //

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BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, DC 20268-0001

Evolutionary Network Development  
Service Changes, 2006

Docket No. N2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION  
OF UNITED STATES POSTAL SERVICE  
WITNESS DAVID WILLIAMS  
(USPS-T-2)

Party

Interrogatories

American Postal Workers Union,  
AFL-CIO

APWU/USPS-T2-1, 3-8, 12-19, 22, 26, 31, 35, 40-  
41, 48, 50, 53, 55, 57, 60-64, 66, 69-70, 74, 79-  
83, 86-89, 99-104, 106-112  
APWU/USPS-T1-5 redirected to T2  
NNA/USPS-T2-7, 11-13, 15  
PostCom/USPS-T2-4, 6, 11-13  
PostCom/USPS-T1-16 redirected to T2  
VP/USPS-T2-5

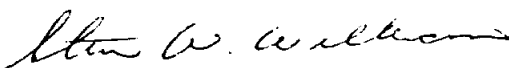
Office of the Consumer Advocate

OCA/USPS-T2-2-21  
OCA/USPS-T1-17, 18a-b, d redirected to T2

Valpak Direct Marketing Systems,  
Inc. and Valpak Dealers'  
Association Inc.

VP/USPS-T2-1-6

Respectfully submitted,



Steven W. Williams  
Secretary

INTERROGATORY RESPONSES OF  
UNITED STATES POSTAL SERVICE  
WITNESS DAVID WILLIAMS (T-2)  
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
APWU/USPS-T2-1	APWU
APWU/USPS-T2-3	APWU
APWU/USPS-T2-4	APWU
APWU/USPS-T2-5	APWU
APWU/USPS-T2-6	APWU
APWU/USPS-T2-7	APWU
APWU/USPS-T2-8	APWU
APWU/USPS-T2-12	APWU
APWU/USPS-T2-13	APWU
APWU/USPS-T2-14	APWU
APWU/USPS-T2-15	APWU
APWU/USPS-T2-16	APWU
APWU/USPS-T2-17	APWU
APWU/USPS-T2-18	APWU
APWU/USPS-T2-19	APWU
APWU/USPS-T2-22	APWU
APWU/USPS-T2-26	APWU
APWU/USPS-T2-31	APWU
APWU/USPS-T2-35	APWU
APWU/USPS-T2-40	APWU
APWU/USPS-T2-41	APWU
APWU/USPS-T2-48	APWU
APWU/USPS-T2-50	APWU
APWU/USPS-T2-53	APWU
APWU/USPS-T2-55	APWU
APWU/USPS-T2-57	APWU
APWU/USPS-T2-60	APWU
APWU/USPS-T2-61	APWU
APWU/USPS-T2-62	APWU
APWU/USPS-T2-63	APWU
APWU/USPS-T2-64	APWU
APWU/USPS-T2-66	APWU



InterrogatoryDesignating Parties

APWU/USPS-T2-69  
 APWU/USPS-T2-70  
 APWU/USPS-T2-74  
 APWU/USPS-T2-79  
 APWU/USPS-T2-80  
 APWU/USPS-T2-81  
 APWU/USPS-T2-82  
 APWU/USPS-T2-83  
 APWU/USPS-T2-86  
 APWU/USPS-T2-87  
 APWU/USPS-T2-88  
 APWU/USPS-T2-89  
 APWU/USPS-T2-99  
 APWU/USPS-T2-100  
 APWU/USPS-T2-101  
 APWU/USPS-T2-102  
 APWU/USPS-T2-103  
 APWU/USPS-T2-104  
 APWU/USPS-T2-106  
 APWU/USPS-T2-107  
 APWU/USPS-T2-108  
 APWU/USPS-T2-109  
 APWU/USPS-T2-110  
 APWU/USPS-T2-111  
 APWU/USPS-T2-112  
 APWU/USPS-T1-5 redirected to T2  
 NNA/USPS-T2-7  
 NNA/USPS-T2-11  
 NNA/USPS-T2-12  
 NNA/USPS-T2-13  
 NNA/USPS-T2-15  
 OCA/USPS-T2-2  
 OCA/USPS-T2-3  
 OCA/USPS-T2-4  
 OCA/USPS-T2-5  
 OCA/USPS-T2-6

APWU  
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InterrogatoryDesignating Parties

OCA/USPS-T2-7	OCA
OCA/USPS-T2-8	OCA
OCA/USPS-T2-9	OCA
OCA/USPS-T2-10	OCA
OCA/USPS-T2-11	OCA
OCA/USPS-T2-12	OCA
OCA/USPS-T2-13	OCA
OCA/USPS-T2-14	OCA
OCA/USPS-T2-15	OCA
OCA/USPS-T2-16	OCA
OCA/USPS-T2-17	OCA
OCA/USPS-T2-18	OCA
OCA/USPS-T2-19	OCA
OCA/USPS-T2-20	OCA
OCA/USPS-T2-21	OCA
OCA/USPS-T1-17 redirected to T2	OCA
OCA/USPS-T1-18a redirected to T2	OCA
OCA/USPS-T1-18b redirected to T2	OCA
OCA/USPS-T1-18d redirected to T2	OCA
PostCom/USPS-T2-4	APWU
PostCom/USPS-T2-6	APWU
PostCom/USPS-T2-11	APWU
PostCom/USPS-T2-12	APWU
PostCom/USPS-T2-13	APWU
PostCom/USPS-T1-16 redirected to T2	APWU
VP/USPS-T2-1	Valpak
VP/USPS-T2-2	Valpak
VP/USPS-T2-3	Valpak
VP/USPS-T2-4	Valpak
VP/USPS-T2-5	APWU, Valpak
VP/USPS-T2-6	Valpak

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**  
Revised: July 10, 2006

**APWU/USPS-T2-1**

On page 8 of your testimony, you state "there were about two dozen local AMP studies in progress" while the END model was being developed and that AMP review activity was generally suspended.

- a) Please provide a complete list of these approximately "two dozen" AMP studies that were underway. Please provide the date of initiation and the person requesting each AMP. Were any of these projects initiated because of the Postal Service's ongoing network redesign efforts? Were any of these projects initiated based on the END models?
- b) Were there any AMP studies not put on hold during END model development? If so, which ones went ahead?
- c) Were the ten projects that were used to test the "internal administrative processes that might be useful in a 'full-up' implementation of END" selected from this group of approximately "two dozen" AMP studies that had been undertaken?
- d) Please provide the criteria for the selection of the 10 AMP studies presented in your submission to the Commission in N 2006-1, and identify the person or persons who made the selection.
- e) For any of the AMP studies on the list in (a), but not among the ten listed in Library Reference N2006-1/5, did the Postal Service choose not to move forward to completion because of results from END simulations? If so, explain; if not, state the reasons for not permitting the other studies to move forward.
- f) List all AMP studies begun since December 31, 2001.
- g) For all AMP studies completed since December 31, 2001, that are not among the 10 studies included in your submission to the Commission in N 2006-1,
  - present a report in which the locations and other identifying information are redacted to protect the Postal Service's "competitive interests."
  - With all identifying information redacted, the report will identify locations only by assigned letters (A, B, C, etc.).

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**  
Revised: July 10, 2006

**APWU/USPS-T2-1 (continued)**

- Within each AMP study, ZIP codes must be replaced using a single number for each ZIP code (thus, an AMP report with 24 ZIP codes would have ZIP codes numbered 1, 2, 3 etc. through 24).
- h) For every report produced in response to interrogatory g above, *include all the data redacted from the 10 AMP reports included in your submission to the Commission in N 2006-1, including without limitation*
- each facility's total mail volume,
  - each facility's total mail volume disaggregated on mail-class specific and service-specific bases
  - on Worksheet 4 facility-specific data reflecting estimated operation-specific originating and/or destinating mail volumes and processing costs, made specific for one class or service where appropriate
  - on Worksheet 7 mail class-specific origin-destination volume data reflecting the volume per mail class that originates or destinate at a single facility, or travels from one specific 3-digit ZIP Code area to another specific 3-digit ZIP Code area.

**RESPONSE**

- (a) That list is as follows:

<u>Proposed AMP Site</u>	<u>AMPC</u>
1 Ashland, KY P&DF	Huntington, WV P&DC
2 Batesville, AR PO	Jonesboro, AR PO
3 Beaumont, TX P&DF	Houston, TX P&DC
4 Beckley, WV PO	Charlestown, WV P&DC
5 Bluefield, WV PO	Charlestown, WV P&DC
6 Bridgeport, CT P&DF	Stamford, CT P&DC
7 Bristol, VA PO	Roanoke, VA P&DC
8 Canton, OH P&DC	Akron, OH P&DC
9 Chillicothe, OH PO	Columbus, OH P&DC
10 Fort Smith, AR PO	Fayetteville, AR P&DF
11 Greensburg, PA PO	Pittsburgh, PA P&DC
12 Greenville, TX PO	North Texas, TX P&DC
13 Harrison, AR PO	Fayetteville, AR P&DF
14 Kinston, NC P&DC	Fayetteville, NC P&DC

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION  
Revised: July 10, 2006**

15	Lufkin, TX PO	East Texas, TX P&DC
16	Marysville, CA P&DF	Sacramento, CA P&DC
17	Mojave, CA PO	Santa Clarita, CA P&DC
18	Pasadena, CA P&DC	Los Angeles, CA P&DC
19	Russellville, AR PO	Little Rock, AR P&DC
20	Salinas, CA P&DF	San Jose, CA P&DC
21	Waterbury, CT P&DF	Southern Connecticut, CT P&DC
22	Wheeling, WV PO	Pittsburgh, PA P&DC
		Lehigh Valley, PA P&DC and Scranton, PA P&DF
23	Wilkes Barre, PA P&DF	
24	Zanesville, OH PO	Columbus, OH P&DC

- (b) There were six AMPs approved in 2004: Oil City, PA; Bradford, PA; Du Bois, PA; Steubenville, OH; Bronx, NY; West Jersey, NJ; and Marina, CA.
- (c) Seven of the 10 AMP studies approved in October 2005 were included in the group of suspended AMP studies.
- (d) After consultation with local management, area management proposed to headquarters AMP studies which met current and future network requirements to proceed with.
- (e) No.
- (f) 2002 – None.
- 2003 1 - Pendleton, CA PO into Pasco, WA P&DF.
- 2004 6 – See the response to subpart (b).
- 2005 11 - See USPS LRs N2006-1/5 and N2006-1/6.
- 2006 46 - See the 41 listed in the Attachment to USPS T-2. The other

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**

**Revised: July 10, 2006**

**RESPONSE to APWU/USPS-T2-1 (continued):**

five are as follows: (1) Alamogordo, NM PO into El Paso, TX P&DC; (2) Las Cruces, NM PO into El Paso, TX P&DC; (3) Rockford, IL P&DC into Palatine, IL P&DC; (4) Flint, MI P&DC into NE Metro MI P&DC; (5) Detroit, MI P&DC into NE Metro MI P&DC.

(g-h) Of the seven 2003-2004 AMP studies referenced in response to subpart (f), for which records would be responsive, the Postal Service has only been able to locate records pertaining to the final six. Redacted copies of those documents will be filed as USPS Library Reference N2006-1/11. Unredacted copies will be filed as USPS Library Reference N2006-1/19, subject to protective conditions resulting from Presiding Officer's Ruling No. N2006-1/7.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**  
Revised: May 8, 2006

**APWU/USPS-T2-3**

On page 9 of your testimony you state "These ten AMP decisions currently are in the various stages of implementation and all are expected to be completed by June 2006."

- a) Please identify each of the stages of implementation for an AMP decision as referenced in the passage quoted above and state how long each stage is expected to take in a typical case.
- b) Please provide a timeline for each of the 10 projects or decisions included in your submission in N 2006-1, showing the amount of time taken for each stage or phase of the project or decision; state at which stage of implementation each project is at this time; and state when, between now and June 30 2006 each project is expected to be fully implemented.

**RESPONSE**

- (a) The main components of an AMP implementation include relocations of personnel, mail volume, and mail processing equipment, and implementation of any changes in the application of service standards to 3-digit ZIP Code pairs. Implementation of all elements can take up to six months to complete.
- (b) Eight of the ten AMPs have been fully implemented. In connection with the Olympia AMP, work continues on moving mail, personnel and equipment in accordance with the implementation plan. There has been a delay in Kinston associated with the transfer of administrative oversight of the affected services areas from the Eastern Area to the Capital Metro Area. Both are expected to be fully implemented by the end of June 2006.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS TO  
INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T2-4** For the 41 AMP projects that are listed in your attachment:

- a) Were any of these projects among the approximately "two dozen" AMP studies that were put on temporary hold during the END model development?
- b) Were any of these projects identified because of the Postal Service's ongoing network redesign efforts or through the END optimization modeling process? If so, list the projects so identified.
- c) On page 12 of your testimony you state that area managers had notified Headquarters of their intention to begin 46 AMP feasibility studies by early 2006.
- d) Has a decision been made to not go forward with any of those 46 studies because of an initial END model analysis? Are you still expecting some of these 46 AMP studies to be filed or have they been filed since you completed your testimony?

**RESPONSE**

- (a) Yes.
- (b) Yes. A list is being compiled and will be provide as part of a revised response.
- (c) Correct.
- (d) No. We anticipate the announcement of additional feasibility studies.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS TO  
INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T2-5**

The Inspector General's report filed in Library Reference N2006-1/8 indicates that the USPS was approving approximately 3 AMP studies per year between 1995 and the present yet there appear to have been over 20 in the pipeline early in 2005.

- a) Were managers given instructions, encouragement, or incentives to file AMP studies?
- b) Please provide all instructions or guidance submitted to the field from 2001 forward on the subject of AMP studies.

**RESPONSE**

The PO-408 Handbook reflects the long-standing instructions and guidance provided to the field on the subject of utilizing the Area Mail Processing review process to initiate studies that could result in consolidation of mail processing operations to improve efficiency and eliminate redundancy. As the Postal Service at headquarters began to focus more on the prospect of a major network realignment, my staff has routinely discussed the AMP process with field managers and explained its purpose. This may have contributed to more focus on the AMP process in the field and the submission of more proposals in recent years than in years past.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**  
Revised: April 18, 2006

**APWU/USPS-T2-6**

Using the Pasadena P&DC AMP from Library Reference N2006-1/5, please provide the following information:

- a) Is it correct to understand from Worksheet 2 that some of the work of the Pasadena P&DC is being split and consolidated into two other existing facilities the Santa Clarita P&DC and the Industry P&DC? If this is incorrect, please explain why.
- b) Is it correct that only outgoing operations are being consolidated? Is it correct that some outgoing operations will be maintained at the Pasadena P&DC (Express, PARS intercept, Platform, and Registry)? If this is incorrect, please explain why.
- c) Describe what impact the change in outgoing operations will have on incoming operations.
- d) How is the mileage on Worksheet 2 determined? Is that the mileage of a standard transportation run between the existing facilities or a straight line measurement?
- e) On Worksheet 2 is it correct to assume that the numbers under Personnel is measured as the number of employees? Is that an estimate of employees that will no longer be required to accomplish this work or the number of employees to be transferred to the other two facilities? If this is incorrect, please explain why.
- f) On Worksheet 2, what is the unit of measure under the Service heading?
- g) On Worksheet 4, the annual numbers appear to be calculated from 2004 MODS operations data. Is that correct?
- h) What assumption is made about relative productivity between the proposal facility and the gaining facility when determining the hours transfers from one to the other?
- i) On Worksheet 6, how are the proposed workhours determined? How is the proposed annual cost determined?
- j) What is the source of the data used in Worksheet 7?
- k) Why are the First Class mail statistics on Worksheet 7 being redacted?
- l) Please describe how the numbers on the Transportation Savings/Cost worksheet are calculated.
- m) Please describe how each line of Worksheet 10 is calculated and the data that are used to determine the numbers.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION  
Revised: April 18, 2006**

**RESPONSE to APWU/USPS-T2-6:**

- (a) Confirmed.
- (b) All originating mail for the Pasadena, CA P&DC is being consolidated.
- (c) Mail from the Pasadena origin area which destines in Pasadena will receive primary sortation at the Santa Clarita P&DC and the Industry P&DC, and returned to Pasadena for secondary handling.
- (d) The former.
- (e) Correct.
- (f) Average Daily Volume in Pieces
- (g) Correct.
- (h) None.
- (i) 1840 workhours/year
- (j) Origin-Destination Information System volume data.
- (k) Objection filed.
- (l) Contract Bid Cost in Dollars.
- (m) Management at the local level (in most cases, the maintenance manager) evaluates the impacts on maintenance support requirements cost when equipment is removed from the plant and on the expected use on the equipment which remains. In the case of the Pasadena AMP, 11 pieces of processing equipment was removed. The manager determines the

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION  
Revised: April 18, 2006**

**RESPONSE to APWU/USPS-T2-6 (continued):**

impact on maintenance routes, training, etc., that will no longer be required, then quantifies the saving to the Worksheet 10 lines for the specific equipment types such as automated, mechanized, and other (material handling equipment). In addition, an estimate is made for saving on electricity requirements from less equipment and from the decrease in energy related to reduced operations.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS TO  
INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T2-7**

Worksheet 3 of the AMP process appears to track the communication of the proposal to various parties that will be impacted by it. How is this list determined? What factors determine the timeline of these notifications? What input do these parties have to the proposal?

**RESPONSE**

Local/District management determine which local business mailers are notified of the Postal Service's intentions to conduct an AMP feasibility study, and of the final decision regarding the study. They also identify the local and Federal government officials who are notified, and the local print and broadcast media outlets to which press releases are issued for the purpose of disseminating notice to the general public. Input may be in the form of a communication between local postal management and local business mail entry unit customers whose mailing has a major impact on local postal operations. Or it may be in the form of communications from members of the general public directly or through elected officials to the Postal Service.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T2-8**

The Communications Plan in Library Reference N2006-1/4 refers to internal and external support kits for the communication of these plans. Please provide the internal and external support kits that have been developed for one of the 10 test AMP proposals that are detailed in N2006-1/5.

**RESPONSE**

Notwithstanding its February 23, 2006, objection to this interrogatory, the Postal Service, as indicated in that objection, provides copies of the attached documents as representative samples of documents generated in accordance with the AMP Communications Plan and based upon templates and instructions in internal and external support kits.



September 3, 2005

News Editor  
WKHB-AM  
245 Brown St.  
Greensburg, PA 15601-2208

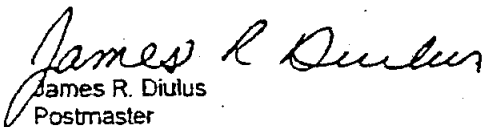
To Whom It May Concern:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

This letter is solely intended to provide you with information that we plan to conduct the study. The study results will be analyzed and a decision will then be made. This letter is not intended as notice of future changes in mail processing. I will provide you with the appropriate notice, if any is required, when a decision is made on the study results.

If you have any questions, or need additional information, please consult Diana Svoboda at 412-359-7819 or Tad Kelley at 412-359-7119.

Sincerely,

  
James R. Diulus  
Postmaster  
Greensburg

DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

James Swank, President  
APWU Greensburg-Foothill Area  
Local 1948  
[REDACTED]  
Greensburg, PA [REDACTED]

Dear Mr. Swank,

This letter is an informational notice of the intent of the U.S. Postal Service to conduct a study of an Area Mail Processing (AMP) of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is the continuing decline in the volume of single piece letter mail and our need to increase the efficiency in mail processing operations.

This letter is solely intended to inform you that we are conducting a study. The study results will be analyzed and a decision will then be made. This letter is not intended as a notice of future changes in mail processing, and is not a notice of impact to employees. I will provide you with the appropriate notice, if any is required, when a decision is made on the study results.

If you have any questions concerning this AMP study, please contact Cherie Gisoni, Manager, Operations Program Support at 412-359-7850.

Sincerely,

A handwritten signature in dark ink, appearing to read "Keith J. Beppler".

Keith J. Beppler  
District Manager/Lead Executive



DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

The Honorable Tim Murphy  
House of Representatives  
504 Washington Road  
Pittsburgh, PA 15228-2817

Dear Congressman Murphy:

Since the issuance of our 2002 Transformation Plan, Postal Service managers have been reviewing all aspects of how we process and move mail across the United States. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

The Postal Service is proud of our very successful automation program, which began in 1982. We have been able to eliminate excess capacity and improve efficiency, in part, by consolidating area mail processing (AMP) operations to fewer and fewer key facilities that are equipped with the newest technology.

With the continued success of our automation program, there is a need for new AMP studies to determine where current operations can be combined most effectively. Consequently, we have initiated a review of the Greensburg Mail Processing Center at Youngwood, PA, mail processing operations. It makes good business sense to eliminate excess capacity in our system through continued centralization of our automated processing activities. This is particularly important now, as the Postal Service has experienced declines in First-Class Mail volumes.

We recognize the significant employee, service, and community issues associated with an area mail processing review. As we undertake this process, you can be assured that we will give these issues full consideration. We will inform you of the results of this review. If you have any questions, please contact Ann Andrews, Manager, Consumer Affairs at (412) 359-7829.

Sincerely,

A handwritten signature in dark ink, appearing to read "Keith Beppler".

Keith J. Beppler  
District Manager/Lead Executive

1001 CALIFORNIA AVENUE  
PITTSBURGH PA 15290-9996

DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

Karl E. Eisaman  
Mayor, City of Greensburg  
416 South Main Street  
Greensburg, PA 15601-3015

Dear Mayor Eisaman:

Since the issuance of our 2002 Transformation Plan, Postal Service managers have been reviewing all aspects of how we process and move mail across the United States. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

The Postal Service is proud of our very successful automation program, which began in 1982. We have been able to eliminate excess capacity and improve efficiency, in part, by consolidating area mail processing (AMP) operations to fewer and fewer key facilities that are equipped with the newest technology.

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Sincerely,

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Keith J. Beppler  
District Manager/Lead Executive

1001 CALIFORNIA AVENUE  
PITTSBURGH PA 15290-9996

MARKETING MANAGER



September 3, 2005

Louise Brindle  
Kennametal[REDACTED]  
Latrobe, PA [REDACTED]

Dear Ms. Brindle:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have questions, or need additional information, please consult Jane Rahenkamp, Marketing Manager, at 412-359-7832.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jane Rahenkamp".

Jane Rahenkamp  
Pittsburgh District Marketing Manager

MARKETING MANAGER



September 3, 2005

Randy Roadman, Director of Business Development  
Mailing Specialists

[REDACTED]  
Greensburg, PA [REDACTED]

Dear Mr. Roadman:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have questions, or need additional information, please consult Jane Rahenkamp, Marketing Manager, at 412-359-7832.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jane Rahenkamp".

Jane Rahenkamp  
Pittsburgh District Marketing Manager



September 3, 2005

Theresa Barnhart  
News Editor  
Greensburg Tribune-Review  
622 Cabin Hill Dr.  
Greensburg, PA 15601-1657

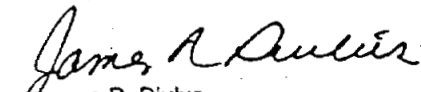
Dear Ms. Barnhart:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have any questions, or need additional information, please consult Diana Svoboda at 412-359-7819 or Tad Kelley at 412-359-7119.

Sincerely,

  
James R. Diulus  
Postmaster  
Greensburg



September 3, 2005

Dow Carnahan  
News Editor  
WCNS-AM  
400 Unity St., Suite 200  
Latrobe, PA 15650-1340

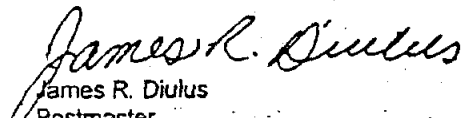
Dear Mr. Carnahan:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have any questions, or need additional information, please consult Diana Svoboda at 412-359-7819 or Tad Kelley at 412-359-7119.

Sincerely,

  
James R. Diulus  
Postmaster  
Greensburg



September 3, 2005

Carmen Lee  
News Editor  
Pittsburgh Post-Gazette East  
34 Boulevard of the Allies  
Pittsburgh, PA 15222-1204

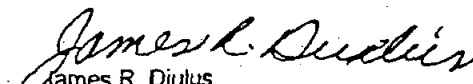
Dear Ms. Lee:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have any questions, or need additional information, please consult Diana Svoboda at 412-359-7819 or Tad Kelley at 412-359-7119.

Sincerely,

  
James R. Diulus  
Postmaster  
Greensburg

DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

The Honorable Edward G. Rendell  
225 Main Capitol Building  
Harrisburg, PA 17120-0062

Dear Governor Rendell:

Since the issuance of our 2002 Transformation Plan, Postal Service managers have been reviewing all aspects of how we process and move mail across the United States. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

The Postal Service is proud of our very successful automation program, which began in 1982. We have been able to eliminate excess capacity and improve efficiency, in part, by consolidating area mail processing (AMP) operations to fewer and fewer key facilities that are equipped with the newest technology.

With the continued success of our automation program, there is a need for new AMP studies to determine where current operations can be combined most effectively. Consequently, we have initiated a review of the Greensburg Mail Processing Center at Youngwood, PA, mail processing operations. It makes good business sense to eliminate excess capacity in our system through continued centralization of our automated processing activities. This is particularly important now, as the Postal Service has experienced declines in First-Class Mail volumes.

We recognize the significant employee, service, and community issues associated with an area mail processing review. As we undertake this process, you can be assured that we will give these issues full consideration. We will inform you of the results of this review. If you have any questions, please contact Ann Andrews, Manager, Consumer Affairs at (412) 359-7829.

Sincerely,

A handwritten signature in dark ink, appearing to read "Keith J. Beppler".

Keith J. Beppler  
District Manager/Lead Executive



DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

Gloria McClain  
NAPS President

[REDACTED]  
Youngwood, PA [REDACTED]

Dear Ms. McClain:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct a study of an Area Mail Processing (AMP) of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is the continuing decline in the volume of single piece letter mail and our need to increase the efficiency in mail processing operations.

This letter is solely intended to inform you that we are conducting a study. The study results will be analyzed and a decision will then be made. This letter is not intended as a notice of future changes in mail processing, and is not a notice of impact to employees. I will provide you with the appropriate notice, if any is required, when a decision is made on the study results.

If you have any questions concerning this AMP study, please contact Cherie Gisoni, Manager, Operations Program Support at 412-359-7850.

Sincerely,

A handwritten signature in dark ink, appearing to read "Keith J. Beppler".

Keith J. Beppler  
District Manager/Lead Executive

DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

Michael McIntyre, President  
Mailhandlers Local 322  
[REDACTED]  
Pittsburgh, PA [REDACTED]

Dear Mr. McIntyre,

This letter is an informational notice of the intent of the U.S. Postal Service to conduct a study of an Area Mail Processing (AMP) of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is the continuing decline in the volume of single piece letter mail and our need to increase the efficiency in mail processing operations.

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Sincerely,

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Keith J. Beppler  
District Manager/Lead Executive

DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

The Honorable Rick Santorum  
United States Senate  
Landmarks Building Suite 250  
100 West Station Square Drive  
Pittsburgh, PA 15219-1122

Dear Senator Santorum:

Since the issuance of our 2002 Transformation Plan, Postal Service managers have been reviewing all aspects of how we process and move mail across the United States. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

The Postal Service is proud of our very successful automation program, which began in 1982. We have been able to eliminate excess capacity and improve efficiency, in part, by consolidating area mail processing (AMP) operations to fewer and fewer key facilities that are equipped with the newest technology.

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We recognize the significant employee, service, and community issues associated with an area mail processing review. As we undertake this process, you can be assured that we will give these issues full consideration. We will inform you of the results of this review. If you have any questions, please contact Ann Andrews, Manager, Consumer Affairs at (412) 359-7829.

Sincerely,

A handwritten signature in dark ink, appearing to read "Keith J. Beppler".

Keith J. Beppler  
District Manager/Lead Executive

1001 CALIFORNIA AVENUE  
PITTSBURGH PA 15290-9996

DISTRICT MANAGER  
CUSTOMER SERVICE & SALES



September 3, 2005

The Honorable Arien Specter  
425 6<sup>th</sup> Avenue, Suite 1450  
Pittsburgh, PA 15219-1897

Dear Senator Specter:

Since the issuance of our 2002 Transformation Plan, Postal Service managers have been reviewing all aspects of how we process and move mail across the United States. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

The Postal Service is proud of our very successful automation program, which began in 1982. We have been able to eliminate excess capacity and improve efficiency, in part, by consolidating area mail processing (AMP) operations to fewer and fewer key facilities that are equipped with the newest technology.

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Sincerely,

A handwritten signature in dark ink, appearing to read "Keith J. Beppler", written over a horizontal line.

Keith J. Beppler  
District Manager/Lead Executive

MARKETING MANAGER



September 3, 2005

Raymond Allan, Supervisor Customer Services  
Municipal Authority of Westmoreland County  
P.O. Box 730  
Greensburg, PA 15601-0730

Dear Mr. Allan:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have questions, or need additional information, please consult Jane Rahenkamp, Marketing Manager, at 412-359-7832.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jane Rahenkamp".

Jane Rahenkamp  
Pittsburgh District Marketing Manager

MARKETING MANAGER



September 3, 2005

Jenny Conroy  
Tribune-Review  
622 Cabin Hill Drive  
Greensburg, PA 15601-1692

Dear Ms. Conroy:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have questions, or need additional information, please consult Jane Rahenkamp, Marketing Manager, at 412-359-7832.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jane Rahenkamp".

Jane Rahenkamp  
Pittsburgh District Marketing Manager

MARKETING MANAGER



September 3, 2005

Brenda Oravets, Purchasing Manager  
Westmoreland County  
104 E Otterman Street  
Greensburg, PA 15601-2510

Dear Ms Oravets:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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Sincerely,

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Jane Rahenkamp  
Pittsburgh District Marketing Manager

MARKETING MANAGER



September 3, 2005

Carol Kornides  
Allegheny Power

Greensburg, PA

Dear Ms. Kornides:

This letter is an informational notice of the intent of the U.S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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Sincerely,

A handwritten signature in cursive script, appearing to read "Jane Rahenkamp".

Jane Rahenkamp  
Pittsburgh District Marketing Manager



GREENSBURG POSTMASTER



September 3, 2005

Rotary Club of Greensburg

Greensburg, PA

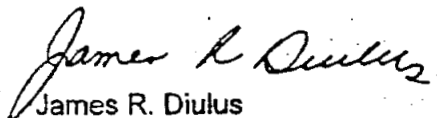
Dear Community Leaders,

This letter is an informational notice of the intent of the U. S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have questions, or need additional information, please consult Rocco J. D'Angelo, A/Senior Manager, Post Office Operations, at 412-359-7817.

Sincerely,

  
James R. Diulus  
Postmaster

238 S. PENNSYLVANIA AVE.  
GREENSBURG PA 15601-9998  
412-241-5077  
FAX: 724-837-6139

GREENSBURG POSTMASTER



September 3, 2005

Westmoreland Human Opportunity

Greensburg, PA [REDACTED]

Dear Community Leaders:

This letter is an informational notice of the intent of the U. S. Postal Service to conduct an Area Mail Processing (AMP) survey of the originating mail processing at the Greensburg Mail Processing Center at Youngwood, PA. The reason for the study is to address the continuing decline of mail volume and the need to eliminate excess capacity while improving efficiency.

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If you have questions, or need additional information, please consult Rocco J. D'Angelo, A/ Senior Manager, Post Office Operations, at 412-359-7817.

Sincerely,

A handwritten signature in cursive script that reads "James R. Diulus".

James R. Diulus  
Postmaster

238 S. PENNSYLVANIA AVE.  
GREENSBURG PA 15601-9998  
412-241-5077  
FAX 724-837-8139

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS TO  
INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS T-2-12**

You have stated that a merger of the END model and AMP process is underway (USPS T-2 at 9).

- a) Please state in what ways the AMP process has been modified or affected by the merger of the END model and AMP process.
- b) In particular, state what AMP criteria have been modified or, if they have not been modified, state how their application has been changed or affected by the application of END models.

**RESPONSE**

(a&b)

The AMP process, as spelled out in the Handbook PO-408, has not been modified, changed or affected by its utilization as a tool in the pursuit of the objectives of Evolutionary Network Development. The END model merely produces inputs that can be taken into account during the AMP process. Only in that sense, have the model and the process "merged."

**APWU/USPS T2-13** The USPS Area Mail Processing Communications Plan, USPS Library Reference N2006-1/4, lists three occasions that trigger various communication responsibilities. These occasions are:

1. when a decision to undertake a feasibility study has been made;
  2. upon completion of a feasibility study and approval decision to consolidate mail processing operations; and
  3. upon complete transfer of mail processing operations.
- a. At any point prior to the decision to undertake a feasibility study or while the study is underway, is the public invited to comment on the proposed study? If so, please explain how the public is invited to comment and how any comments are integrated into the USPS decision making process, including the person and department responsible for handling public comments at this stage. If the public is not invited to comment, please explain why an invitation is not extended at this point in the process and what, if anything, is done with unsolicited public comments received during this phase.
- b. At any point prior to the decision to consolidate mail processing operations, is the public invited to comment on the proposed consolidation? If so, please explain how comments are integrated into the USPS decision to consolidate, including the person and department responsible for handling public comments at this stage. If the public is not invited to comment, please explain why an invitation is not extended at this point in the process and what, if anything, is done with unsolicited public comments received during this phase.
- c. At any point prior to the decision to undertake a feasibility study or while the study is underway, are employees or unions given an opportunity to comment on the proposed study? If so, please explain how these comments are integrated into the USPS decision making process, including the person and department responsible for handling employee or union comments at this stage. If employees or unions are not invited to comment, please explain why an invitation is not extended at this point in the process and what, if anything, is done with unsolicited employee or union comments received during this phase.
- d. At any point prior to the decision to consolidate mail processing operations, are employees or unions given an opportunity to comment on the proposed consolidation? If so, please explain how these comments are integrated into the USPS decision making process, including the person and department responsible for handling employee or union comments at this stage. If employees or unions are not invited to comment, please explain why an invitation is not extended at this point in the process and what, if anything, is done with unsolicited employee or union comments received during this phase.

**APWU/USPS T2-13 (continued)**

- e. After the decision to consolidate a facility has been made, are employees, unions, and the general public given an opportunity to comment on the decision? If so, please explain how these comments are integrated into the consolidation process, including the person and department responsible for handling comments at this stage. If not, please explain this exclusion.

**RESPONSE**

- a. While that has not been the case to-date, such a process is being developed.
- b. See the response to subpart a above. Comments will be reviewed by the cross-functional AMP team at Headquarters before a final decision is recommended.
- c-d Postal employee union and management association representatives have a long history of not waiting for a formal invitation to express their concerns to postal management through a variety of channels, and encouraging their members to do the same. There have always been channels for employee-management communications that are separate and apart from the channels of communication between the Postal Service and persons acting exclusively as postal customers. Any comments from postal unions and employee associations will be reviewed by appropriate members of the Headquarters cross-functional AMP working group, which includes representation from Labor Relations and Employment Law.
- e. See the responses to subparts a and d.

**APWU/USPS-T2-14** *The Business Mailers Review*, February 27, 2006, reported that Paul Vogel, USPS Vice President for Network Operations Management,

told mailers last week that the agency learned a lot from changes at the Marina Processing and Distribution Center, which has suffered from numerous service problems. "We went to school on that one," Vogel said. One of the lessons learned is that the area mail processing communications procedures should be used. Indeed, improving communications and coordinating information among all parties affected by the changes have been the big focuses of the agency over the past two weeks.

- a. Please explain what lessons were learned from the Marina Processing and Distribution Center experience that suggested a need to improve "communications and coordinating information" between all parties affected by a consolidation.
- b. Please identify what changes, if any, were made in the communication process, instructions or tool kit as a result of the Marina experience and state when these changes went into affect.

#### RESPONSE

- a. We learned that a structured AMP Communications Plan was needed to ensure consistent messaging regarding operations consolidations to all stakeholders.
- b. An AMP Communications Plan was developed and distributed in late September 2005. Related training was provided to management involved with the administration of the AMP Communications Plan.

**APWU/USPS-T2-15** Please refer to the response to Interrogatory OCA/USPS-2.

The response states in part: “[t]he Postal Service has no plan for direct solicitation of comments from the general public in relation to individual AMP studies. However, as comments from elected officials acting on behalf of the general public (and any unsolicited comments directly from the general public) are received, those comments are to be forwarded to appropriate Headquarters personnel for consideration as they recommend final action on a relevant AMP proposal.”

- a. Please explain “appropriate Headquarters personnel” and identify the person or department designated as such.
- b. Since comments—especially unsolicited comments from the public-- might be directed to local postmasters, area officials, HQ staff, a general address for the Postal Service or to local, state, or federal government officials, who has the responsibility to collect and forward these comments to the appropriate Headquarters personnel and what sort of direction is provided to other levels of management for forwarding such comments?
- c. Please explain the process for considering the solicited and unsolicited comments from the general public and how such comments might result in additional study, reconsideration, meetings with the public, etc. and how the comments might affect final action on a relevant AMP proposal. Please provide any document(s) that provides a written description of this process to guide those responsible for inviting and processing comments.
- d. If the Postal Service has no formal plan to solicit comments from the general public, how are the costs and burdens to customers identified? What, if any, weight is given to these costs in the END process?

## RESPONSE

- a. Appropriate personnel include representatives from Public Affairs & Communications, Government Relations, Office of the Consumer Advocate, and Labor Relations.
- b. To date, unsolicited comments are addressed at the appropriate level of ongoing review by the appropriate functional representative. However, see the response to APWU/USPS-T2-13(a).

RESPONSE to APWU/USPS-T2-15 (continued)

- c. If comments raise material issues relevant to the feasibility of a pending proposal that are deemed to merit further consideration of some aspect of that proposal, then further consideration will take place. Documents that would describe the solicitation process are under development. At such time that documents intended for external audiences are approved, copies will be filed in this proceeding.
  
- d. The Postal Service will not pre-judge assertions that might be made concerning such costs and burdens. It is not even clear from the question what they might be. They will be given whatever weight is deemed appropriate in the AMP review public input process. I am informed that customer costs are not END model inputs.



**APWU/USPS-T2-16** Please turn to your testimony at page 14, lines 6 through 12.

You state "[a]s local major customers are notified of potential mail entry and processing changes, they have an opportunity to consult with local postal operations managers."

- a. Do these consultations take place prior to a decision to implement the consolidations? If so please, explain when and how mailers are notified about the opportunity to consult. Please identify the time, manner and personnel involved with this opportunity to consult.
- b. If the consultation does not take place before the decision to implement, explain how the potential adverse costs and consequences to mailer operations and business are discovered and considered in any decision as to consolidate.
- c. If all mailers are not afforded this consultation opportunity, please explain how mailers are selected for consultation.
- d. What effect do the concerns expressed in these consultations have on the AMP review process and ultimate decision to consolidate mail processing?
- e. Assume that it was determined that the consolidation would raise affected mailer costs to (1) approach, (2) equal, or (3) exceed Postal Service savings related to the consolidation. How would such determinations factor into a Postal Service decision to consolidate?
- f. Your testimony indicates that "the concerns of potentially affected members of the general mailing public in areas under study" are communicated to the Postal Service. What effect do these concerns have on the AMP review process and the ultimate decision to consolidate mail processing?

## RESPONSE

- a. Yes. BMEU customers are notified by local managers at the time that the public is informed about the intent to conduct an AMP feasibility.  
  
See Worksheet 3 of any of the AMP packages in USPS Library  
  
Reference N2006-1/5. Consultations follow.
- b. N/A
- c. District managers and their designees make judgments based on their knowledge of mailers volumes and impact on local operations.

RESPONSE to APWU/USPS-T2-16 (continued)

- d. Like any others, the comments of mailers are given the consideration and weight that they are due.
- e. The AMP process is designed to only consider postal costs. It is not designed to consider assertions concerning costs incurred by mailers.
- f. They are given the weight deemed appropriate by the Postal Service

**APWU/USPS-T2-17** Please turn to your testimony at page 12, lines 18 through 23.

You state

"[s]takeholder response to the announcement of the aforementioned group of 10 AMP feasibility studies varied from site to site, with little or no response in most cases to considerable interest in others. From this experience, the Postal Service learned that effective and timely communications of its decisions to internal and external stakeholders is critical to the success of AMP implementation."

Please identify and explain any changes made to how and when communications are made to stakeholders as a result of the experience with the 10 AMP feasibility studies. Please provide any documents detailing the changes.

## **RESPONSE**

The Communications Plan in USPS Library Reference N2006-1/4 was developed and refined as those AMPs were being reviewed. It reflects the benefit of this experience.

**APWU/USPS-T2-18** Please turn to your testimony at page 15, lines 4-13. You state "the Postal Service intends to provide appropriate public notice if a particular study results in a determination to implement operational changes that affect the manner in which existing service standards apply to 3-digit ZIP Code origin-destination pairs."

- a. Please describe what is included in this public notice.
- b. Please describe how this notice is disseminated to the public.
- c. Please confirm that notice is only given after the decision to implement operational changes has been made. If not confirmed, please explain when during the study and decision process notice is provided.
- d. Describe any part of the AMP study that measures the costs or burdens on mailers and the public that may result from service standard changes and how such information factors into the decision to change service standards.

**RESPONSE**

- a. The affected 3-digit ZIP Codes and mail classes would be identified, along with the nature of the upgrades of downgrades (2-day to overnight, overnight to 2-day). In addition, information regarding any postmark changes, BMEU changes and any collection box pick-up changes would be included.
- b. Presently, to parties identified on Worksheet 3.
- c. To date, that has been the case
- d. There is no such part.

**APWU/USPS-T2-19** Please refer to Interrogatory APWU/USPS-T2-1(d) and your accompanying response. The Interrogatory asked in part that you "provide the criteria for the selection of the 10 AMP studies presented in your submission to the Commission in N2006-1." You responded that "after consultation with local management, area management proposed to headquarters AMP studies which met current and future network requirements to proceed with." Please detail the current and future network requirements that were considered in selecting the 10 AMP facilities.

**RESPONSE**

AMPs were proposed which provided for current efficiencies from operations consolidation and which would result in the impacted facilities meeting the requirements of their future network roles.

**APWU/USPS-T2-22** Please refer to your response to Interrogatory APWU/USPS-T2-3(a). Your response states that "[t]he main components of an AMP implementation include relocations of personnel, mail volume, and mail processing equipment, and implementation of any changes in the application of service standards to 3-digit ZIP Code pairs."

- a. Please state how long the relocation of personnel takes in a typical case.
- b. Please state how long the relocation of mail volume takes in a typical case.
- c. Please state how long the relocation of mail processing equipment takes in a typical case.
- d. Please state how long implementation of any changes in the application of service standards takes in a typical case.

**RESPONSE**

- a. Each AMP is unique with a move plan timeline that meets the goal of the AMP and local operations. Depending on the complexities of the AMP, *implementation of an AMP can occur over a few days or take several months.*
- b. See a.
- c. See a.
- d. The changes are entered into the service standards database and then usually become effective at the beginning of the next fiscal quarter. The *time to input the changes depends on the complexity for any particular AMP and how many others may also be in the queue.*

**APWU/USPS-T2-26**

In looking at the comparison of Monmouth and Trenton cost estimates presented on worksheet 4 on page 000105 of N20006-1/5, the operations covered on the two sheets are virtually identical (the only difference is that Monmouth shows operations 117 and 122 while Trenton shows operations 115 and 124 however, the underlying activities for those operations appear to be the same.)

- a) Please confirm that the ratio of FHP to annual workhours for Monmouth is much higher than that for Trenton.
- b) Please confirm that the ratio of TPH to annual workhours for Monmouth is much higher than it is for Trenton.
- c) Please confirm that on worksheet 4a on page 000106 that the proposed ratios of FHP to annual workhours and TPH to annual workhours are lower for Monmouth after this transfer is made.
- d) Please confirm that on worksheet 4a on page 000106 that the proposed ratios of FHP to annual workhours and TPH to annual workhours are higher for Trenton after the transfer of mail is made.

**RESPONSE**

a-d) Confirmed

**APWU/USPS-T2-31**

On page 000040 of N2006-1/5, one of the notes states "The TPH of 599,352 did not reflect the actual volume that would be processed in 060. It was written up in the notes but was not reflected on sheet 4a. The actual TPH volume for 060 should have been 2,928,963 pieces. Tacoma does not have available runtime on the AFSM100 to process all of the Olympia 331 volume. The Olympia 331 TPH volume of 5,862,254 pieces [sic]. The distribution will be as follows: op 331 1,940,750 pieces op 441- 1,588,004 op 060 – 2,333,500."

- a) Was the distribution at the bottom of this quote used in the cost calculations shown on Worksheet 4a on page 000030 or was the original TPH count of 599,352 for 060 used in those calculations?
- b) Please confirm that 060 is a manual sorting operation.
- c) Please confirm that based on R2005-1 data national outgoing primary productivity for the AFSM100 is more than 4 times that of manual outgoing primary productivity and almost 3 times that of outgoing primary productivity for operation 441. If you can not confirm, please provide the most recent productivities available for these operations.
- d) What has the USPS done or what will the USPS do to allow the Tacoma facility to process flats as productively as the Olympia facility?

**RESPONSE**

- a) There were changes made to the flat distribution after the notes were made and the changes were not reflected in the notes. The savings were based on these changes and not the notes.
- b) 060 is a manual sorting operation.
- c) Confirmed.
- d) The Western Area proposed an option to move all keying of flat mail on the FSM 1000 in Tacoma off the FSM 1000 to the manual operations and put the machinable volume from Olympia that could not be processed on the AFSM 100 in Tacoma, on the FSM 1000. This volume would be processed on the Automated Feeder on the FSM 1000. This option would actually result in less total work hours in all flat operations in Tacoma.



**APWU/USPS-T2-35** At the initiation of the AMP for Yakima, the study was characterized as an effort to determine whether sending all Yakima's non-cancelled mail to Pasco for cancellation was a more economical way of processing Yakima non-cancelled mail.

- a) Please identify all mail that would be considered non-cancelled mail. Is this only collection mail?
- b) Does Yakima have a Bulk Mail Acceptance Unit? What changes to the handling of that mail would be expected if this AMP is finalized?

**RESPONSE**

- (a) Yes.
- (b) The Yakima WA AMP study is still underway.

**APWU/USPS-T2-40** Do bulk mailers dropping mail at plants losing originating mail processing receive the same level of discounts as they did when those plants had outgoing primary operations or do they have to take the mail to the AMPC facility to qualify for the same level of discounts?

For the consolidated units in N2006-1/5 where the mail transfer has taken place:

- a) What percentage of the bulk mailers dropping mail at each of the consolidated units changed their drop to the AMPC facility locations?
- b) What percentage of bulk mailers with drops at the consolidated locations had to change the time of their mail drops to accommodate the changes in the mail processing procedures.
- c) What percentage of bulk mailers have to complete their mail preparation operations earlier to make drops at new locations or new cutoff times?

**RESPONSE**

- (a-c) We do not conduct that analysis as part of the AMP study.

**APWU/USPS-T2-41** The following AMP studies were not included in the 41 studies that Mr. Williams indicated were currently underway although notification has been given that these areas are undergoing an AMP study: Daytona Beach FL P&DC to Jacksonville FL P&DC, Sheridan WY CSMPC to Casper WY P&DC, and Rockford IL P&DC to Palatine IL P&DC.

- a) Please identify which, if any, of these three AMPs were evaluated using the END modeling systems.
- b) Please identify which, if any, of these three AMPs have been cancelled.
- c) Please provide a status on each of these AMPs that have not been cancelled and explain why they were not included on Mr. Williams' list.

**RESPONSE**

- (a) All three of the AMPs were evaluated with the END model.
- (b) None of the three AMPs have been cancelled.
- (c) The Daytona Beach, FL AMP study was delayed while considering a shift to focus on the Mid-Florida, FL P&DC as the AMPC. The Sheridan, WY CSMPC AMP study is in progress, having changed the AMPC from Billings, MT to Casper, WY. The Rockford, IL AMP was on hold and has recently resumed.

**APWU/USPS-T2-48**

On page 000184 of N2006-1/5, the following statement is made, "Mojave has already attritted the positions identified in the savings." If these positions were not current positions when the AMP was filed how can they be considered savings when the AMP is approved?

**RESPONSE:**

The annotation referenced was misstated. Pacific Area management will modify the worksheet to reflect the on rolls complement and provide a comparison with wording that reflects what was proposed. The evaluation will occur during the first Post-Implementation Review.

**RESPONSE OF UNITED STATES POSTAL SERVICE WILLIAMS TO  
INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

401

**APWU/USPS-T2-50**

Please confirm that the impact on craft personnel generated in worksheet 5 is not tied directly to the workhour numbers in worksheets 4 and 4a.

**RESPONSE:**

Confirmed.

**APWU/USPS-T2-53** In your response to APWU/USPS-T2-34 you state that "density analysis reports are not provided as part of the AMP study documentation."

- a) Does this mean that density analysis reports are not used or evaluated in the AMP analysis?
- b) If they are used, how are they used?
- c) If they are not used, why not?
- d) Please provide for each of the ten consolidated facilities presented in N2006-1/5, using whatever means necessary, the percentage of originating mail being sent to the AMPC facility that would return as destinating mail to each of the consolidated offices.

**RESPONSE**

- (a) Density Analysis reports are not necessary for the completion on the AMP worksheets.
- (b) N/A
- (c) See the response to subpart (a).
- (d) Determination of the percent of originating mail returned to the AMPed site is not part of the AMP process. The Postal Service routinely published national quarterly aggregate inter-P&DC mail volume percentages for mail classes measured by the Origin-Destination Information System. For purposes of a proceeding focused on the questions of nationwide scope, these national aggregate inter-P&DC turn-around mail volume estimates would seem to serve as a reasonable proxy for the percentages for any given locality. Inter-P&DC data are published at Table 5 of each public ODIS Quarterly Statistics Report. The report for FY 2006 Q1 is available at:

[http://www.usps.com/financials/qsr/Quarter\\_1\\_FY06.pdf](http://www.usps.com/financials/qsr/Quarter_1_FY06.pdf)

Revised: July 11, 2006

**APWU/USPS-T2-55** To clarify your response to APWU/USPS-T2-6:

- a) Your response to (c) fails to provide a description of the impacts. Will the destinating mail be available at the same time it otherwise would have been available to be sorted? If not, by how much will the window have changed? Please describe any other changes that will take place.
- b) Your response to (e) fails to answer the final two questions in the section. Please provide an explanation as to where the employees tabulated on Worksheet 2 will work after this change takes place. Will it be the AMPC facility or will they be moved to other facilities?
- c) Your response to (h) does not provide an answer as how the number of hours needed to process the transferred mail is calculated. Please provide a complete explanation and indicate if this is a consistent method of calculating these hours whenever calculations for this worksheet are completed.
- d) Your response to (i) makes no sense. Please provide a complete explanation as to how these numbers are calculated. If necessary, please provide a worksheet showing the calculations for the Pasadena AMP.
- e) Your response to (l) is less than clear. Please explain "contract bid cost in dollars." Is it an average of current contract bids for similar routes, or the average of current national contract bids, or are the Transportation Savings/Cost data based on specific real costs calculated by new contract bids or contract solicitations for specific routes or are they calculated some other measure?
- f) While your response to (m) provides a helpful overview about the calculations it does not provide the requested description for each line, the inputs needed for the calculations, and how the maintenance manager calculates those costs. Please provide this information.

## RESPONSE

- (a) The Pasadena destinating mail from the Pasadena origin area will be available to meet the AMPC facility operating plan Critical Entry Time and Clearance Time.
- (b) Clerk Impact: I am informed that, initially, local management advised the Area level of the APWU that a total of 58 full-time clerks, less any attrition, would be excessed from the Pasadena installation to the clerk craft at the site receiving the mail and to withhold jobs in other offices within 100 miles.

Revised: July 11, 2006

RESPONSE to APWU/USPS-T2-55 (continued)

A total of 16 full-time clerks were ultimately excessed. I am informed that the difference in the number was based on the following:

1. Attrition
2. Staffing/bid shortfalls in the Pasadena stations
3. A decision to move AADC processing to the Pasadena plant

Senior non-impacted clerks elected to go in lieu of the junior clerks identified to be excessed. 12 were placed in available withheld assignments in post offices that were closer to their residences and 4 went to the Santa Clarita (Van Nuys) P&DC, the principal receiving site for the mail.

*Maintenance Impacts:* Three maintenance staff were excessed, two Electronic Technicians and one maintenance support clerk. The maintenance craft employees went to withheld assignments at the Santa Clarita (Van Nuys) plant, which was the main receiving site for the mail.

Although two Mail Processing Equipment Mechanics were initially identified to be excessed from the Pasadena plant, the advent of one vacancy and a voluntary reassignment eliminated the need to take such action.

- (c) Annual TPH volumes by operation for operations, including the volume which will be moved, are listed in the workhour column for the AMPC facility. Workhour productivity for the AMPC facility is applied to the projected volume.
- (d) My response does make sense. 1840 is the number of workhours per year used for each position calculation. The annual cost indicates the cost for each position type (times the number of positions).



RESPONSE to APWU/USPS-T2-55 (continued)

- (e) The Transportation Savings/Cost data is based on specific real costs calculated by proposed new contract bids or contract solicitations for specific routes.
- (f) This worksheet evaluates the AMP plan's total annual associated cost not listed on any other worksheet. This form is primarily used in conjunction with new facilities, but may also be used to justify other costs when appropriate. This worksheet, however, must be completed for all AMPs. Management at the local level (in most cases, the maintenance manager) evaluates the impacts on maintenance support requirements cost when equipment is removed from the plant, and on the expected use on the equipment which remains. In the case of the Pasadena AMP, 11 pieces of processing equipment were removed.

The manager determines the impact on maintenance routes, training, etc., that will no longer be required, then, using the USPS Financial Performance Report - FPR Line Report - as a reference to the history of specific line item expenses, quantifies the saving to the Worksheet 10 lines for the specific equipment types such as automated, mechanized, and other (material handling equipment). In addition, an estimate is made for saving on electricity requirements from less equipment and from the decrease in

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORIES OF THE AMERICAN POSTAL WORKERS UNION**

Revised: July 11, 2006

406

**RESPONSE to APWU/USPS-T2-55 (continued)**

energy related to reduced operations using FPR line item historical data as  
a reference.

**APWU/USPS-T2-57.** Please provide the complete AMP documentation for any of the 41 AMPs on your list that have been approved since the case was filed.

**RESPONSE**

It is assumed that the question seeks copies of the decisions packages in the format reflected in USPS Library Reference N2006-1/5. As they are finalized, the next 10 will be compiled in Library Reference N2006-1/10.

**APWU/USPS-T2-60.** Mr. Vogel has indicated in past presentations that there will be a reduction in the number of facilities doing processing and distribution work during the network alignment period and has, at times, provided an approximate number of facilities that will be closed.

- a) Please provide the latest estimate of the number of each type of facility that will be needed in the redesigned network.
- b) Please provide the latest estimate of the number of each current type of facility that will be closed during the next 5 years.
- c) Will facilities scheduled for closure primarily be distribution processing centers? If not, which facilities are most likely to be closed?
- d) Are the END models designed to indicate which facilities should be closed? If the END model does not assign any mail to a particular facility will it be scheduled for closure?
- e) Will the AMP process be used to close facilities?
- f) Please describe the communications plan and level of community involvement that the USPS is expected to use when a facility is scheduled for complete closure.

## RESPONSE

- a) I am aware of no facility-by-facility target having been established beyond the estimate of approximately 70 RDC's reflected in response to OCA/USPS-T1-11, which has since been clarified by the Docket No R2006-1 response to PSA/USPS-T42-1.
- b) I am aware of no such facility-type estimates have yet been developed.
- c) There is no schedule of facility closure candidates. It might be reasonable to speculate that the mail processing facility type with the largest number existing facilities (P&DC/Fs) could have the largest number of closures, but not necessarily have the largest percentage of closures. Another type of facility (annexes) could have a higher percentage of closures, making them "most likely" to be closed.

Revised: July 10, 2006

RESPONSE to APWU/USPS-T2-60 (continued):

- d) The END model is outside the scope of my testimony. I am aware that it has been indicated earlier that the END model does not assign mail to facilities; it assigns mail to operations; and that the ultimate specific location of those operations, within existing or new facilities, is determined outside the model.
- e) The AMP process can be used to study the relocation of all originating and destinating operations at mail processing plants. When deemed appropriate through that process, facility closure can occur.
- f) The Postal Service will use the AMP Communications Plan for communicating all AMP proposals, whether they involve consolidation of only originating operations for a mail processing plant, or all operations at a mail processing plant.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

410

**Revised: July 10, 2006**

**APWU/USPS-T2-61.** Please identify differences between the communications plans used in the AMP process and the "Public Input Process" or PIP plan the USPS has recently announced.

**RESPONSE**

The Public Input Process is an enhancement to the AMP Communication Plan which allows for a town hall style meeting in communities where an AMP may occur.

APWU/USPS-T2-62. In clarification of your responses to APWU/USPS-T2-1(g-h)

- a) What is the Postal Services' record retention policy for AMP studies?
- b) Of the seven AMPs approved in 2003 and 2004, have post implementation reviews been conducted for any of those? If so, please provide all post implementation reports for those sites.
- c) If Post implementation reviews have not been conducted or completed please indicate the scheduled completion time for the post implementation reviews for each of the facilities.

## RESPONSE

- a) At the present time, there is no specific AMP study documentation retention period outlined in the AMP Guidelines Handbook, PO-408. As we revisit and update the AMP process requirements and documentation, I expect that the establishment of a five-year retention period for the approved AMP proposal might be appropriate.
- b) There were no AMPs approved in 2003. PIRS for the six AMPs approved in 2004 were not conducted on the timetable specified in the PO-408. In response to this revelation, I directed that such studies be completed. They are still underway.
- c) All six of the PIRS for the 2004 AMPs referenced above are still under review.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION  
Revised: July 10, 2006**

412

**APWU/USPS-T2-63.** In clarification of your response to APWU/USPS-T2-1(a)

- a) Excluding the seven AMPs on this list that are included in N2006-1/5, please confirm that three of the remaining ones are on the list of 41 attached to your testimony (Beaumont to Houston, Canton to Akron and Zanesville to Columbus) and that one (Batesville) is there but with a different receiving facility than originally stated.
- b) Are the AMPs on this list that are not either in N2006-1/5 or on your attachment still suspended? Have they been cancelled?
- c) In your answer to APWU/USPS-T2-1(e) you state that none of the suspended AMPs were cancelled due to results from the AMP process, what did determine the Postal Service's decision to not go forward with them?

**RESPONSE**

- a) Confirmed.
- b) The other sites on the list are no longer being studied at this time
- c) The local district and area determined not to move forward with those AMPs at the present time, with the concurrence of Headquarters



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

413

**APWU/USPS-T2-64** Please provide a schedule that lists the due dates for all the Post Implementation Reviews on all the AMPs submitted in Library Reference N2006-1/5 and the schedule for Post Implementation Reviews for the Marina AMP.

**RESPONSE:**

Preliminary AMP PIR documents are due for review at headquarters as follows:

April 30, 2006	Marina, CA	The Headquarters PIR of Marina is nearing completion.
October 30, 2006	Greensburg, PA Bridgeport, CT Waterbury, CT NW Boston, MA Marysville, CA	
January 30, 2007	Monmouth, NJ Mojave, CA Pasadena, CA Olympia, WA	
TBA	Kinston, NC AMP	(Date TBA once AMP fully implemented )

**APWU/USPS-T2-66** In response to APWU/USPS-T2-5 you state "As the Postal Service at headquarters began to focus more on the prospect of a major network realignment, my staff has routinely discussed the AMP process with field managers and explained its purpose."

- a) Were you and your staff providing information about the network reorganization strategy in these discussions or only about the AMP process?
- b) If you were not providing information about the network reorganization strategy, what goals were provided to field managers to help them make a decision about whether to file an AMP or not?

**RESPONSE**

- a) My staff focused on training the area AMP coordinators' to follow the AMP Guidelines, Handbook PO-408 and helped several Areas set up similar training for other area and district personnel.
- b) District and area management were informed then that, if headquarters were to decide to adopt a centrally-directed approach to identifying AMP opportunities in the future (which has now occurred), they could expect to be contacted in connection with such a program and directed to initiate AMP studies. Otherwise, outside of that context, local managers can look to the PO-408 for guidance on whether to initiate an AMP study.

**APWU/USPS-T2-69** For the facilities listed in N2006-1/5 and those listed in N2006-1/11:

- a) Were all those facilities considered to be a DSCF prior to the AMPs? If not, please indicate which ones did have that status.
- b) Did any of those facilities lose their DSCF status when their originating mail was moved to the AMP facility? If so please identify the facilities.
- c) For facilities that did not lose their DSCF status when their originating mail was moved to the AMP facility, does the mail that is dropped at the facility go directly to incoming processing?
- d) Did any of the facilities in N2006-1/5 or N2006-1/11 have Bulk Mail Entry Units? If so, which ones?
- e) Did any of those facilities have their BMEU closed as a result of the AMP process? If so please identify which facilities.
- f) For those facilities that still have an operating BMEU, please describe what happens to the bulk mail entered there. Does the office continue to process the bulk mail through its outgoing operations? Does some or all the mail move to the AMPC for outgoing processing? If any mail is sent to the AMPC for processing, is destinating mail segregated out before sending mail to the AMPC?

**RESPONSE**

- a) All but Mojave.
- b) No.
- c) Properly identified DSCF mail dropped at the facilities goes to incoming operations.
- d) All.
- e) No.
- f) There are no outgoing processing operations at these facilities. Mail requiring outgoing processing is sent to the gaining facility. Destinating mail identified for DSCF is segregated.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

416

**APWU/USPS-T2-70** For facilities listed in N2006-1/5 and those in N2006-1/11 that lost their originating mail, are they now Destination Processing Centers? If not, why not.

**RESPONSE:**

Although those facilities no longer process outgoing mail, as yet they have not assumed the future network facility type designation of a Destination Processing Centers.

**APWU/USPS-T2-74** Please clarify your response to APWU/USPS-T2-24 (d)

- a) When you state that the ADC structure is part of the END baseline data what exactly do you mean? Will there still be facilities designated as ADCs in the realigned network?
- b) Why does the Postal Service not consider changes in ADC assignments as part of the END process?

**RESPONSE:**

- a. The current network, which includes ADCs, is the baseline from which change can be expected to occur. ADC is not a facility designation that is contemplated as part of the future network
- b. To the extent that old role designations disappear and facilities take on new roles and designations as part of Evolutionary Network Development, it is all part of the same initiative.

**APWU/USPS-T2-79** In Library Reference N2006-1/3, the Post Implementation Review process is described as having the appropriate management personnel fill out the same worksheets that are filled out for the AMP process, skipping worksheets 3 and 8.

- a) Where in this process does the Postal Service assess whether the service standards expected at the time of the consolidation are actually being met?
- b) Why are managers directed not to fill out Worksheet 8, which seems to be asking about the impact on service commitments for mail classes other than First Class mail?
- c) Is there a requirement in this process that management personnel assess whether the service standards set for First Class mail are actually being met after the consolidation takes place?
- d) If so, what data are used to make that assessment and where is it reported in the PIR?
- e) If not, why is such an assessment not required?
- f) Where in the PIR process are capacity constraints or bottlenecks at the gaining plant listed and assessed?
- g) Where in the PIR process are impacts on carrier dispatch times in ZIP codes whose originating mail has been moved listed and the service impacts assessed?
- h) Where in the PIR process are actual transportation bottlenecks or changes in pick-up and delivery schedules reported and assessed?
- i) Where in the PIR process are problems reported by customers after the consolidation reported and assessed?

**RESPONSE:**

- (a) The evaluation of service performance to goal is a routine management function independent of whether a consolidation has recently been implemented in a particular service area.
- (b) Downgrades to service standards for classes of mail other than First-Class Mail and Priority Mail should be indicated at the top of Worksheet 8.
- (c) See the response to subpart (a).
- (d) N/A
- (e) See the response to subpart (a).
- (f) Worksheet 4 provides an evaluation of proposed workhour usage vs. actual.

RESPONSE TO APWU/USPS-T2-79 (continued):

Routine monitoring and diagnosis of mail processing and transportation operations occurs irrespective of whether a consolidation has recently been implemented in a particular service area. One would expect such monitoring and diagnosis to identify and address such issues.

(g) The evaluation of carrier units is a routine, ongoing management function that is not prompted by whether an area has recently been subjected to an AMP. It is not part of PIR process.

(h) Worksheet 9 should reflect an evaluation of proposed transportation usage vs. actual. Routine monitoring and diagnosis of mail processing and transportation operations occurs irrespective of whether a consolidation has recently been implemented in a particular service area. One would expect such monitoring and diagnosis to identify and address such issues.

(i) Customer communication avenues are the same after the AMP implementation as they were prior to the study. The Postal Service does not segregate customer expressions of concern about service on the basis of whether they could be related to a recently implemented consolidation.

**APWU/USPS-T2-80** In your response to VP/USPS-T2-6, you state "the Postal Service will be able in the future to monitor originating and destinating service performance scores for Performance Clusters covered by EXFC, as well as ODIS time-in-transit data for all 3-digit ZIP Code pairs, irrespective of whether Performance Clusters or 3-digit ZIP Code pairs were the subject of a consolidation decision."

- a) Is there any requirement, as part of the AMP review process that a comparison be made of EXFC and ODIS time-in-transit performance measures of consolidated ZIP code mail before and after consolidation? If so, please describe that requirement and how it is reported to the management team that is assessing the success of individual AMPs
- b) Do these only apply to First Class mail? If not, what other classes of mail can be assessed through this process?
- c) Please describe ODIS time-in-transit data including mail classes covered.

## RESPONSE

- a) No.
- b) Since EXFC is the only mail class also measured by ODIS, EXFC/ODIS review would only apply to First-Class Mail.
- (c) I am informed that ODIS generates 3-digit to 3-digit ZIP Code area time-in-transit data for First-Class Mail, Priority Mail and Package Services.



**APWU/USPS-T2-81** As part of the assessment of the AMPs listed in Library Reference N2006-1/11, has an assessment been made of changes in the EXFC scores for those areas that were impacted by those consolidations? If so, what were the findings?

**RESPONSE**

Site specific assessments of EXFC scores for AMP implementations are not a part of the AMP process. See the response to APWU/USPS-T2-79(a).

**APWU/USPS-T2-82** Will your team, as part of its assessment of the success of the AMP process within the END framework, compare the scores generated by any of the above mentioned performance monitoring procedures for the impacted ZIP codes of your test AMPs (listed in LR N2006-1/5)? If so, what sort of an assessment will you make and when? If not, why not?

**RESPONSE**

The evaluation of service performance to goal is an on going effort and includes ZIP Codes associated with already implemented AMPs. Site specific assessments are not routinely made at the national level as a part of the AMP process

**APWU/USPS-T2-83** In your response to VP/USPS-T2-3, you state that consolidations do not diminish the ROI for equipment formerly used for outgoing operations because the "excess equipment at consolidated facilities will be relocated to where it can be better utilized." Where in the review process for AMPs is there an assessment as to whether the equipment is being better utilized? Please describe the data and comparisons used in this assessment.

**RESPONSE**

The assessment of equipment asset optimization for excess processing equipment is done at the area level and is separate from the AMP process.

**APWU/USPS-T2-86** Please clarify your response to APWU/USPS-T2-59 (a) in the context of Mr. Shah's response to APWU/USPS-T1-10 (b). Will the Detroit BMC be converted to an RDC?

**RESPONSE**

I am informed by Mr. Shah that all BMCs are likely RDC candidates, but that this does not mean that all BMCs will end up as RDCs, and that no decisions have yet been made by the END team regarding future RDC status of any current BMCs

**APWU/USPS-T2-87** Please clarify your response to APWU/USPS-T2-59 (b), (d) and (f).

- a) Please confirm that the cost savings from moving the originating mail from Troy, Pontiac, Royal Oak, Detroit and Flint were included in the cost savings provided in the Decision Analysis Report that the Postal Board of Governors used as the basis for its decision to build the NE Michigan facility.
- b) The NE Michigan facility will not be completed for probably two years. Why are the AMPs being conducted now?
- c) Will changes in mail volume and mail patterns between now and the time the NE Michigan facility could be opened be factored into the AMP process?
- d) What factors could the AMP process bring to light that would prompt a decision different from the one management has already assumed in the Decision Analysis Report for this project?

## RESPONSE

- (a) For DAR purposes, it was assumed that originating mail could come from certain existing facilities. However, see the response to subpart (d) below.
- (b) For advance planning and communications purposes.
- (c) Yes.
- (d) For purposes of a DAR, one can assume with a relatively high degree of confidence that a general quantity of mail of various types is likely to be processed at a new facility of a certain configuration. One can do so without making irrevocable judgments at that time about the precise amount of mail that will be consolidated two years later from among specific operations at existing candidate facilities in the vicinity. Keeping the expected consolidated volume goals constant, the AMP process could bring to light two years down the road that the proportions of mail processing operations assumed by the DAR to be consolidated from various nearby facilities will be different. To use an oversimplified example, an earlier DAR assumption that 25 percent of the volume into the new facility would come

RESPONSE to APWU/USPS-87 (continued):

from each of four nearby facilities may be superseded by an AMP decision two years later to draw 40 percent from one of the nearby facilities and 20 percent each from the other three.

**APWU/USPS-T2-88** In follow-up to your response to APWU/USPS-T2-62 (b),

- a) When was it discovered that the PIRs for the 2004 AMPs had not been completed according to the schedule in the AMP Guidelines Handbook?
- b) What is the position occupied by the person whose responsibility it is to assure the AMP processes and procedures are followed?

**RESPONSE**

- (a) I am informed that an Operations Specialist at Headquarters made the discovery during the summer of 2005
- (b) Under the current configuration of our department, that person would be me  
  
I assumed my current responsibilities in October 2005. Shortly thereafter, I was informed of the PIR delinquency on the 2004 AMPs by that same Operations Specialist. Notwithstanding the lapse of time, I instructed him to direct responsible field personnel to initiate PIRS and to provide them guidance and training if necessary to get the job done.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION**

428

**APWU/USPS-T2-89** In follow-up to your response to APWU/USPS-T2-63(c), why did the local and district area decide to not move forward with those AMPs? What factors determine a negative decision in the AMP process?

**RESPONSE**

The preliminary conclusion early in the study process in each case was that the proposed consolidation was infeasible at the time, but that the proposals could be revisited later. Such a decision can result when the AMP review process appears to be headed to a conclusion that a particular proposed consolidation is operationally infeasible at the present time, that no or virtually no efficiency gain would be achieved by implementing it, or that there would be a negative impact on service far out of proportion to any efficiency gain at the time



**APWU/USPS-T2-99**

- a) Please provide a description and documentation of the steps the Postal Service took to collect public input related to the Newark AMP.
- b) Please provide a description of any input that was received and what the Postal Service's response was to that input.

**RESPONSE**

a-b) The Area Mail Processing Communications Plan (LR 1/4) was followed for purposes of issuing notice of intent to conduct the AMP feasibility study and for announcing the final agency decision. The Newark AMP study was completed before the Postal Service adopted its AMP Public Input Process. I am not aware of any specific input from the public regarding the Newark AMP.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION  
Revised: July 10, 2006**

**APWU/USPS-T2-100** Please provide a copy of the notes that the Postal Service took during the town hall meetings on the Sioux City and Rockford AMPs. Please provide any list of action items resulting from those two town hall meetings.

**RESPONSE**

The commitment to conduct both of these meetings preceded the establishment of that Public Input Process. These meetings were not conducted as part of the subsequently developed Public Input Process reflected in USPS Library Reference N2006-1/16. They were specially arranged at the request of members of the U.S. House and Senate. No formal written summaries, such as those that would be recorded on forms reflected at pages 3 and 4 of that Library Reference have been preserved. However, I have located some notes taken by a postal employee present at the April 20<sup>th</sup> Sioux City meeting that attempt to summarize public comments offered in response to the Postal Service's presentation at that meeting. No written lists of "action items" have been developed or circulated as a result of either the Sioux City or Rockford the meetings.

## Summary of Sioux City Customer Concerns

**Citizen:** Mail from South Sioux City is sent to Norfolk, NE and back. Why not stay in Sioux City? It would save on the overtime and gas.

**Citizen:** Confidence affects First Class. Sioux City post office has been wonderful until now. Mailed a tape to Penton on April 14 and missed the Friday dispatch by 8 minutes. Item then went to Sioux Falls on Saturday and addressee still has not received it. Mailed on Monday from Sioux City and received by Wednesday. Believed delay caused by going to Sioux Falls.

**Citizen** – How long will it take for mail to be delivered from Sioux City to Sioux City?

**Citizen** – Proud of Sioux City holding bureaucracy to the fire. Enjoy what is happening to you.

**Chamber of Commerce group** Request full copy of study

Will sign confidentiality statement.

They are being denied information to do a separate study and analysis

Proven degradation of service with Saturday AMP

Use an independent CPA to audit mail for 6 months to determine service

Frustrated, expected meeting to discuss specific information and impact

Will accept redacted information.

Need summary and substance of the study so able to respond to see if process can be conducted in a different manner.

Need time to analyze, do audit side-by-side

Information received today is the same as 60 days ago

Gave example of a letter that took 4 days Sioux City to Sioux Falls.

There is going to be degradation.

Stop insults to union leadership.

Promised information and have not been forthcoming.

Union very effective and working with City.

**Citizen** – Study is just numbers and a simulation. Said had troubles getting information about certified mail. Unable to get phone answered at 4:25 p.m. at Sioux City post office. Called Sgt. Bluff post office and got answers

**National Agent APWU (from Oklahoma)** – Offended by the comments

Aware that at the national level there are 41 AMP locations

Results create a report that is 400 pages thick

Information provided to congressional leaders is only 20 pages

Gives results without allowing input in the decision process

1971 law mandates that USPS provide universal service even to rural areas where show a revenue loss

BPI model used in actual studies leads to different results

Too complex after brief review and see inconsistencies

Study revisions, release would not be final data.

**Citizen** – Economic savings with employees is incorrect, just transferring from one budget to another

**Citizen** – Won't show them the change in collection times

**Taxpayer, customer, employee** – large stakeholder

USPS infrastructure provides economic opportunity to Sioux City

Would like to see family move back to Northwest Iowa

**Member, Sioux City Council** – Only held meeting because was forced to do so

Information was already shared with council 60 days ago

No guarantee for overnight service if citizens receive late payment/past due notices should they send the bills to Doug Morrow?

Letter sent on 4/13 from Sioux City, 4/14 Sioux Falls, delivered on 4/17, citizens screwed on Saturday drop off. This was a Thursday drop so it should have never gone to Sioux Falls.

It will take 4.5 days to Des Moines

Wintertime is no guarantee of delivery

Service affects lives, medical lives

Have rebuilt Hwy 60 from Sheldon to Sioux City, was this included in the study?

Service is degraded now and in the future Iowa is 5<sup>th</sup> in the nation should push to be 2<sup>nd</sup>

Doug Morrow should give back his financial bonus he is receiving for this

**Steve King rep.** – Proposed summary for Sioux City process in Sioux City area need to be kept at Sioux City Plant

Quoted letter (3/27) sent from King, Harkin and Grassley to Mr. Galligan about the USPS not meeting their expectations

**APWU member**– Have considered other Plants like Huron, SD? they are modern like Sioux City

Sioux City Plant was wired for equipment but never received it

Local postal politics – build up District office to stay alive?

Carriers are out after dark – with more processing and collection there will be understaffing

Have not hired clerks or mail handlers, have hired 2 carriers

512-513 will be sent to Sioux Falls and no longer to Sioux City BMC – drop in Sioux City and not returned to Sioux City to get rate, Bulk Mail discount is in Sioux City,

**Bill Anderson, Grassley rep** –

Summary show just shifting mail pieces

Total costs does not show employee relocation since there will be an option to stay as a PTF

Productivity performance achievement target versus what is achieved – Sioux Falls

78.6%, Sioux City 68%, need to explain pieces per man hour and allied work hours

**Citizen** –Thank you for meeting

In a perfect world there would be overnight service

18 months to do review is too long to wait

No overnight service now – S. Sioux City to Norfolk = 2 days, S. Sioux City to Omaha = 10 days

Received survey about different services not about the mail.

## Summary of Sioux City Customer Concerns

**Citizen** – Told success story of mailing letter from Sioux City to New York in 1995 and it took 2 days.

Beginning in January 2006, briefs are mailed on Friday to Estherville, Cherokee and not receive until Tuesday or Wednesday

Placed in collection box by 5:00 p.m. and all ok. If after 6:00 p.m., there is a delay.

Believed being sent to Sioux Falls for processing

Now driving to FedEx for delivery

**Reverend, Church** –

If the volume increases in Sioux Falls will their overtime increase? If so, just keep everything in Sioux City, it adds dollars to the collection plate

**Joel Rubin, Harkin rep from DC** –

Explained about the amendment that has been added to legislative bill for all data to be public

Sioux City is groundbreaking

Disappointed with the information that was released on 3/27

Community should be fully informed

**Citizen** – Wants no degradation of service

Receives misdeliveries for house on corner

Asked if EXFC information is released to public

**Citizen** – Sends business packages to US and Canada

Don't move

Mail shouldn't show anything but Sioux City

Believed addressee would not open mail if it did not have a Sioux City postmark

**Businessman** –

In the last 3 months, sending mail on Saturdays has taken consistently one week

Before change (Saturday AMP to Sioux Falls), it took 2 days

**Citizen** – Meeting time is not conducive for the community and shows you don't care about the community.

Sioux Falls is less efficient than Sioux City.

Should not uproot 47 employees and move them to Sioux Falls.

Driven by Sioux Falls plant and it does not look bigger than Sioux City.

Concerned about costs for additional machines

**Citizen** – Will be losing safety net when transfer biohazard BDS to Sioux Falls

**Citizen** – Not in favor, degradation of service

Removing northwest Iowa from map with postmark to South Dakota

**Publisher** – Concerned with losing customers if there is a degradation of service, mail taking an extra day.

Currently sends 9500 pieces per week.

Wants USPS to provide zip codes and send a letter to 3 digit zips for study.

## Summary of Sioux City Customer Concerns

**Business Customer** – Elderly and low income do not drive to post office to deposit mail, they want an Iowa postmark.  
Have the 18 month reviews ever reversed an AMP decision?  
Worried about service degradation.

**Citizen** – Upset with change, magician act.  
Concerned about winter weather and how would have next day delivery if the interstate is closed.  
People in Sioux City to a wonderful job.  
National process is bottom line.  
47 jobs would be moved to Sioux Falls or lose position to PTF and not be able to support family.  
Changing facility to Sioux Falls leaves an empty building in Sioux City, lost jobs and an economic impact.

**Representative, neighborhood organization–**  
Not enough information for educated comments  
Without data can't refute study  
Need pros and cons from study  
Should publish study and make it available  
Service change – Bulk SCF, current permit holders will have no change, what about future permit holders?  
Will the public be included in the 2 reviews that will be completed in the first 18 months?  
Why can't the letter carrier drop the letters in the slot for a Sioux City postmark?

**Citizen** – Does not receive medication overnight due to Saturday mail

**Local APWU President** – Sioux City Plant wired for equipment but never delivered  
Knew it was the start of process to eliminate Sioux City and send mail to Sioux Falls  
How many new hires has Sioux Falls had since October?

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

435

**APWU/USPS-T2-101** It has been reported that at the end of the town hall meeting held on June 5, 2006 to discuss the Rockford AMP, Mr. Galligan indicated that the Rockford AMP would be put on hold as the Postal Service had considerable work yet to do in considering the Rockford consolidation. Is this a correct interpretation of Mr. Galligan's remarks? If not, what commitment, if any, did Mr. Galligan make regarding the next step on the Rockford AMP?

**RESPONSE**

No. The Rockford AMP study had been on hold and had just resumed a short time prior to the public meeting. No study had been forwarded to Headquarters for consideration. District/Area level data collection and analysis was underway at the time. His commitment was that progress toward completion of the study would continue, with the expectation that a proposal would ultimately be submitted to him for decision.

**APWU/USPS-T2-102** The USPS' response to OCA/USPS-44 (j ) indicates that a headquarters employee may not be present at each of the town hall meetings referenced in the May 1st revision to your testimony. Please describe the authority the USPS representative at each of those town hall meetings will have to provide information requested by meeting participants and to commit the Postal Service to address concerns raised by the participants.

## **RESPONSE**

The primary purpose of the meeting is to describe the anticipated impact of the pending AMP consolidation proposal on postal services and to receive information reflecting the public's response to that anticipated impact.

Ordinarily, the District Manager for the District affected by the AMP feasibility study will be the lead Postal Service representative at the public input meeting. The lead representative at each meeting is authorized to disclose such information as is reflected in their prepared presentation as well as other relevant public information. It is impossible to anticipate the full spectrum of comments that may be expressed or information that may be requested by members of the public, members of postal employee unions, or others at such meetings. The public meeting process reflected in the Public Input Process is not intended to serve as a forum for requesting that the Postal Service make on-the-spot commitments to undertake certain responsive action or to provide certain records or data. The same is true of the written comment component of the Public Input Process. Persons seeking access to records not disclosed at a PIP meeting are free to pursue alternative methods for records access, such as the Freedom of Information Act. The postal representative is expected to take requests for action under advisement and, as appropriate, inform others of such requests for consideration.



**APWU/USPS-T2-103** Did the Postal Service organize the town hall meeting to discuss the Rockford AMP or was it organized by Representative Manzullo's office?

**RESPONSE**

The meeting was agreed to in response to a request from the Congressman and organized through consultations between the Postal Service and the Congressman's office before the establishment of the current AMP Public Input Process.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

438

**APWU/USPS-T2-104** Please detail the steps the Postal Service took to publicize the Rockford town hall meeting.

**RESPONSE**

In addition to whatever steps may have been taken by the Congressman's office, the Postal Service sent written notification to public stakeholders, including local and federal elected officials advising them of the date, time and location of the Rockford town hall meeting. In addition, a media advisory was sent to print and broadcast media serving the Rockford and 610 ZIP Code areas.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

439

**APWU/USPS-T2-106** Please provide any Postal Service information packages available to the public in advance of the Rockford town hall meeting

**RESPONSE**

No information packages were made available by the Postal Service in advance of the meeting.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

440

**APWU/USPS-T2-107** Please provide any Postal Service information packages or handouts distributed at the Rockford town hall meeting

**RESPONSE**

No information packages or handouts were distributed by the Postal Service at the meeting.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

441

**APWU/USPS-T2-108** Please provide an example of any comment cards or similar items that were provided to the public at the Rockford town hall meeting for them to use to submit questions and concerns to the Postal Service

**RESPONSE**

A sample comment card is attached.

NAME: \_\_\_\_\_ DATE \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY/STATE/ZIP CODE \_\_\_\_\_

PHONE: (LIST AREA CODE FIRST PLEASE) \_\_\_\_\_

COMMENTS: \_\_\_\_\_

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CONSUMER AFFAIRS & CLAIMS  
U.S. POSTAL SERVICE  
500 E FULLERTON AVE  
CAROL STREAM IL 60199-9631

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T2-109** How were the four AMP summaries that are currently shown at <http://www.usps.com/all/amp.htm> chosen? Is it the Postal Service's intention that all proposed AMPs will be summarized here? What factors will decide the timing of the posting of those summaries?

**RESPONSE**

Those four AMP proposals happened to be in the queue for final consideration at Headquarters at the time when the internet posting component of the Public Input Process was ready for testing.

As a part of the END AMP Public Input Process, it is the Postal Service's intention to post successive AMP proposals on the website, and to accompany each posting with information about the public meeting and the submission of written comments. Postings will occur after an AMP proposal has completed the cross-functional review process at Headquarters and is otherwise deemed ready for final consideration.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T2-110** On any changes related to END, how can the public/ stakeholders find information on: whether postal installations in their area will be studied or considered for expansion/ consolidation or closure

- a) the specifics of what will be studied by an AMP
- b) the timetable for the study;
- c) the reasons for conducting this specific study and goals of the study,
- d) benchmark points in the study process,
- e) preliminary study results;
- f) possible changes that would be considered based on study results,
- g) opportunities to comment on study results,
- h) how they can suggest alternative matters to study,
- i) how they can suggest that existing problems or service levels be evaluated to determine if they are exacerbated or ameliorated by any possible change;
- j) how the public can get a list of suggestions and comments submitted by the public for Postal Service consideration,
- k) how the public can add their thoughts on such suggestions and comments;
- l) how the public gets feedback on their suggestions;
- m) how the public and stakeholders are notified about any decisions regarding their suggestions;
- n) if the local post office or district rejects or fails to consider a suggestion or proposal, how does someone make sure their suggestion or proposal comes to someone's attention when the AMP is passed to higher levels for approval?

**RESPONSE**

When a determination is made to initiate an AMP feasibility study, the communications process described in USPS Library References N2006-1/4 and N2006-1/12 takes effect.

- a. The AMP Communications Plan documents in USPS Library Reference N2006-1/12 reflects the level of information communicated publicly when the intent to conduct a feasibility study is announced. More detailed information is reflected in USPS Library Reference N2006-1/3, the Handbook PO-408.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T2-110 (continued)**

- b. By reference to USPS Library Reference N2006-1/3, the Handbook PO-408
- c. The AMP Communications Plan documents in USPS Library Reference N2006-1/12 reflects the level of information communicated publicly when the intent to conduct a feasibility study is announced.
- d. The feasibility study process is described in detail in USPS Library Reference N2006-1/3, the Handbook PO-408
- e. Through the Public Input Process described in USPS Library Reference N2006-1/16.
- f. Through the Public Input Process described in USPS Library Reference N2006-1/16.
- g. Through the Public Input Process described in USPS Library Reference N2006-1/16.
- h. There is nothing to prevent a member of the public at any time, whether as part of the AMP Public Input Process or in a written response to an AMP proposal posted at [www.usps.com](http://www.usps.com), or randomly, from suggesting an alternative AMP proposal for consideration. The Postal Service neither encourages nor discourages such proposals. The Postal Service will give them such consideration as it, in its sole discretion, deems appropriate.
- i. Through the Public Input Process described in USPS Library Reference N2006-1/16. See the response to subpart (h).
- j. I am advised that the public may request PIP comment records under the Freedom of Information Act.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

**RESPONSE to APWU/USPS-T2-110 (continued)**

- k. The process is not intended to be interactive in that manner. However, subject to the constraint described in response to subpart (n), there is nothing to prevent members of the public who have obtained records described in response to subpart (j) from summarizing their opinions in writing and mailing them to whoever in the Postal Service they wish to receive them.
- l-m. The process is not intended to be interactive in that manner. Comments will be reviewed for consideration. There is no process for feedback
- n. The PIP comment file for each AMP proposal is reviewed at Headquarters before any final decisions is made as part of the AMP process. Comments not submitted through the PIP have no assurance of such review

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

447

**APWU/USPS-T2-111** What steps will the Postal Service take to publicize town hall meetings for discussion of each proposed AMP?

**RESPONSE**

Please refer to USPS Library Reference N2006-1/16

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE AMERICAN POSTAL WORKERS UNION**

**APWU/USPS-T2-112** Please clarify your responses to POSTCOM/USPS-T2-4 (c) and witness Shah's response to APWU/USPS-T1-26. If the Postal Customer Council's are one of the ways that the USPS communicates with mailers about changes in the mail processing environment, why are the PCC's not used to solicit input from mailers about the potential impact of AMPs? Will PCC's be used in the future as one of the points to collect input for AMP studies?

**RESPONSE**

Postal Customer Council members and representatives are able to participate fully in the AMP Public Input Process, whether at public meetings or through the submission of written comments in response to AMP postings at [www.usps.com](http://www.usps.com)

The Postal Service does not consider it necessary to grant elevated status to Postal Customer Councils or their members for the purpose of receiving their comments as a part of that process.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF AMERICAN POSTAL WORKERS UNION  
REDIRECTED FROM WITNESS SHAH**

**APWU/USPS-T1-5.** Mr. Williams has provided an attachment containing 41 AMPs currently underway. Are any of the "gaining" facilities on that list subject to an AMP proposal that might later affect the mail processed at that facility?

**RESPONSE**

In theory, all mail processing facilities are candidates for AMP review. Therefore, it is possible for a facility that gains operations as the result of an AMP review conducted today to undergo an AMP review later that might affect mail processed at that facility.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO NATIONAL NEWSPAPER ASSOCIATION INTERROGATORY**

**NNA/USPS T2-7** Has the Postal Service discussed with these managers any criteria or guidelines in how to select which types of information are disseminated, and to whom? If so, please describe or provide copies of written criteria or guidelines. If not, please explain why the Postal Service has determined that these local/district managers are qualified to make these communications decisions.

**RESPONSE**

See USPS Library References N2006-1/3 and N2006-1/12. The appropriate local/district manager with functional responsibility for a particular category of stakeholders listed on the worksheet #3 communications document determines the appropriate organizations, people, or groups to notify. For example, the Manager, Public Affairs & Communications would determine the stakeholders for the media & local newspaper categories to reach those that may have an interest in the AMP study. These managers are expected to use their knowledge of local customers and circumstances and to exercise their judgment.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO NATIONAL NEWSPAPER ASSOCIATION INTERROGATORY**

**NNA/USPS T2-11** Please refer to your response to APWU/USPS 18e. Please confirm that [www.usps.com](http://www.usps.com) contains a link to a page entitled "Contact us" with a response form under a further page linked to "email us." If a member of the public commented upon an AMP proposal through this means, would the comment be included in the Headquarters review of the AMP proposal?

**RESPONSE**

When a specific AMP summary is posted at [www.usps.com](http://www.usps.com), it will include the specific name and title of the postal official to whom comments regarding that AMP proposal should be directed. The Postal Service makes no assurances that correspondence sent to other addressees within the agency will always be interpreted as pertaining to a particular AMP proposal or directed to the manager of the comment file for a particular AMP proposal for consideration

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO NATIONAL NEWSPAPER ASSOCIATION INTERROGATORY**

**NNA/USPS T2-12** Please explain what response a member of the public would most likely receive if he or she contacted the Postal Service to complain about a service disruption that resulted either temporarily from an AMP reorganization or permanently because of reorientation of the service expected between two 3-digit pairs if the complaint came through:

- a. The USPS website
- b. 1 800 ASK USPS
- c. Consumer affairs personnel at USPS
- d. A member of Congress to the Communications Group

**RESPONSE**

See the response to NNA/USPS-T2-11 I am informed that communications outside the AMP public input process from the sources listed above will handled as such communications are routinely handled



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO NATIONAL NEWSPAPER ASSOCIATION INTERROGATORY**

**NNA/USPS T2-13** Does the Postal Service measure or factor in the cost of handling stakeholder, customer or consumer complaints resulting from service disruption as a part of the cost/savings in a consolidation, either within the AMP calculations or in final deliberations?

**RESPONSE**

No.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO NATIONAL NEWSPAPER ASSOCIATION INTERROGATORY**

454

**NNA/USPS T2-15** In previous AMPs that resulted in a consolidation:

- a. did local mailers affected by a consolidation always retain access to a BMEU at the consolidated facility?
- b. If not, how does the Postal Service consider the effect upon mailers' costs in hauling mail for entry over longer distances?
- c. In the AMPs now under consideration in the END analysis, will mailers **always** retain access to a local BMEU? If not, how will the Postal Service factor in the additional transportation costs of mailers that previously used a BMEU at the consolidated facility?

**RESPONSE**

- a. No.
- b. BMEU customers are provided alternative entry point locations if a facility is closed. The Postal Service is aware that there may be costs to mailers associated with such changes. However, the AMP process does not include an analysis of any such costs
- c. That remains to be seen until those studies are completed and final decisions are made.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF OFFICE OF CONSUMER ADVOCATE**

**OCA/USPS-T2-2.** For the case of an AMP proposal for upgrading, consolidating, or rationalizing equipment and processes at a facility, please explain how the possible impacts of the changes at a specific facility are quantitatively considered and measured in terms of their impacts on other facilities in terms of mail flow, mail schedules, and/or other network externalities.

**RESPONSE:**

In the context of the END initiative, the AMP review process is designed to determine the validity of a proposed consolidation within the context of the network design to which the Postal Service plans to evolve. The AMP review process is designed to shift operations to facilities that – quantitatively – either do or will have the floor space, personnel, equipment, transportation, and sortation plans with which to absorb them. The potential ability of a gaining facility to absorb operations from the consolidated facility is qualitatively assessed during the local, Area Office and Headquarters AMP review stages. Assuming a consolidation is determined to be feasible and is approved at Headquarters, the implementation process is when operational adjustments – changes in mail flows and schedules -- are made at the consolidated and gaining facilities.

Revised: July 11, 2006

**OCA/USPS-T2-3** Please turn to page 11 of your testimony, where at lines 5-29 you discuss "Procedures for Moving Forward."

- a. Please explain how a locally-developed alternative network realignment proposal might differ from the END model simulation results and AMP review.
- b. You discuss approvals of changes in the application of service standards of 3-digit ZIP Code pairs. Is there a basis for assigning a monetary value to such changes?
- c. You mention post-implementation review. Please provide any additional information available on the concept of post-implementation review.

## **RESPONSE**

- a. The "locally developed alternative network realignment proposals" referenced there are the feasibility studies initiated at the local/District level and conducted as part of the END strategy.
- b. The Postal Service has not explored whether there is any basis for doing so
- c. Please review pages 10-12 of USPS Library Reference N2006-1/3, the Handbook PO-408.

**OCA/USPS-T2-4.** Please refer to USPS Library Reference N2006-1/8, "USPS Office of the Inspector General Audit Report – NO-AR-06-001," December 2005, at 8, observed that the AMP Guidelines do not "[f]ully address the criteria that are used to evaluate proposals and how the proposals are implemented." In Appendix D to the OIG Report, at 16, Letter dated December 1, 2005, from Paul Vogel, Vice President, Network Operations Management, and Thomas G. Day, Senior Vice President, Government Relations, in response to this criticism, VPs Vogel and Day write that the following criteria will be applied in AMP proposals:

To determine if implementation of an AMP is feasible, standardized data worksheets that evaluate the expected impacts are completed. These include worksheets that assess impacts such as:

- Impact 1: Costs and/or savings
- Impact 2: Annual work hours
- Impact 3: First-Class Mail service commitments
- Impact 4: Priority Mail service commitments
- Impact 5: Other mail class service commitments
- Impact 6: Domestic Mail Manual (DMM) labeling list changes
- Impact 7: Annual associated costs (maintenance, training, energy, space related costs, etc.)
- Impact 8: One-time associated costs
- Impact 9: Transportation
- Impact 10: Equipment relocation
- Impact 11: Remote encoding center (REC) operations
- Impact 12: The plans for space made available from the consolidation of operations.

Several of the standardized worksheets are included in Library Reference N2006-1/5 while others are not. Please explain why the following worksheets have been omitted from those provided for the 10 facilities included in LR-N2005-1/5.

- a. "Other" mail class service commitments, specifically Express Mail, Periodicals, Standard Mail, and Package Service. For each of the LR-N2005-1/5 facilities, provide worksheets showing impact on Express Mail, Periodicals, Standard Mail, and Package Service.
- b. DMM labeling list changes. Please provide these for each of the 10 facilities included in LR-N2005-1/5.
- c. The plans for space made available from the consolidation of operations. Please provide these plans for each of the 10 facilities included in LR 5.

## RESPONSE

- a-b. AMP Worksheet 8 under Service Commitments would explain any changes to services for mail classes other than First Class and Priority Mail. AMP Worksheet 8 under Distribution Changes would indicate necessary changes

**RESPONSE to OCA/USPS-T2-4 (continued)**

to DMM Labeling Lists. It was a common practice not to develop a Worksheet if it otherwise would reflect no changes.

- c. An analysis sheet was developed to evaluate space made available from operations consolidations after the evaluation of the 10 facilities included in USPS Library Reference N2006-1/5 were completed. Consolidations do not necessarily result in excess floor space. The transfer of equipment from Plant A to Plant B sometimes simply relieves a chronic overcrowding situation in Plant A.

**OCA/USPS-T2-5.** Please refer to Library Reference N2006-1/8, "USPS Office of the Inspector General Audit Report – NO-AR-06-001," December 2005, at 8, voiced concern that the AMP Guidelines "have not been updated since 1995. . . . Without clear guidance, the ability to implement AMPs with minimal disruption is affected and may cause inconsistencies in using the process. Further, without specific guidance, delays in the disposition of facilities and equipment could occur."

- a. Do you agree with the statements quoted above? If not, why not?
- b. Please explain how the AMP guidelines were updated to address the OIG comments.

**RESPONSE**

- (a) Yes
- (b) AMP Worksheets and instructions were updated in 2004 and distributed for use with AMP Feasibility Study Analysis. In addition, several training classes were held for the area AMP coordinators and their peers from other area level functional departments, which included tools such as project management plans, AMP visual aids, AMP process flow charts, etc. Periodic AMP coordinator meetings and/or individual teleconferences continue.

**OCA/USPS-T2-6.** Please refer to Library Reference N2006-1/8, "USPS Office of the Inspector General Audit Report – NO-AR-06-001," December 2005, at 11. The cited page contains a list of "lessons learned from previous consolidations." These are:

- Focusing on capturing savings and maintaining service.
- Developing proposed employee schedules early in the process.
- Using Microsoft project management software.
- Creating visual aids.
- Frequent meetings to facilitate communication.

Please explain in detail how you addressed each of these lessons in the current network redesign plan.

## **RESPONSE**

A Microsoft project management plan AMP template was developed, which focused on planning and implementation tasks for the operations consolidations. Depending on the complexity of the AMP, move plans could be developed with site specific impacts surrounding the relocation of personnel, mail volume, and processing equipment. These impacts could be depicted in an AMP dynamics matrix visual aid. See the response to OCA/USPS-T2-5 regarding frequent cross-functional communication.



**OCA/USPS-T2-7.** Please turn to your testimony, at page 3, lines 13 through 18. You indicate that a local AMP study could be initiated on the basis that "service and/or efficiency could be improved...." In the case of AMP studies completed during and after 2002, please indicate on a case-by-case basis the number of instances associated with AMP studies where there was a determination that:

- a. Only service (but not efficiency) could be improved;
- b. Efficiency (but not service) could be improved.
- c. Service and efficiency could both be improved.

**RESPONSE**

A goal of virtually every AMP decision is to improve efficiency to some degree. In 13 of the 17 AMPs referenced either in USPS Library References N2006-1/5 and N2006-1/6 or in response to DBP/USPS-18, there were no service standard downgrades associated with the decisions. In 4 cases, there was a mix of upgrades and downgrades.

**OCA/USPS-T2-8.** Please turn to your testimony at page 5, lines 19 through 21. You indicate that "consultations between the P&DC or District sponsoring the AMP study and the Area Office may lead to modification to the original proposal." In the case of each AMP study completed during and after 2002, and where only service (but not efficiency) could be improved,

- a. How often have there been modifications to the original proposal?
- b. What were the reasons, factors, or circumstances causing modifications?
- c. Please provide on a case-by-case basis the number and types of modifications made to the original proposal.

**RESPONSE**

- a. The Postal Service does not track the number of times some element of a particular study is modified during the iterative review process from conception to final decision.
- b. AMP studies could be modified for numerous reasons, including typographical errors, incorrect data, omissions, incomplete documentation, etc.
- c. AMP feasibility study proposal documents are scrutinized by many different individuals from different functional departments, and at different levels of the organization. The AMP study documents are modified throughout the process until final decisions are made.

**OCA/USPS-T2-9.** Please turn to your testimony at page 6, lines 2 through 5. You state: "A critical element of Headquarters review is an evaluation of potential service standard upgrades and/or downgrades if the operational changes implied by an AMP proposal were implemented." For those AMP studies completed during and after 2002, please provide the following:

- a. On a case-by-case basis, please indicate by mail class the number of service upgrades and the number of service downgrades to 3-digit ZIP Code pairs.
- b. On a case-by-case basis, please provide the number of modifications to anticipated service upgrades and downgrades to 3-digit ZIP Code pairs resulting from "consultations between the Area Office and Headquarters" as mentioned on page 6 at line 6.

**RESPONSE**

- a. For the 10 AMPs approved in October 2005, there were 39 overnight 3-digit pair First-Class Mail service upgrades. For the six AMPs approved in 2004, there were 10 3-digit pair upgrades and 16 3-digit pair downgrades.
- b. The Postal Service does not track proposed modifications or modifications made to an AMP proposal during the feasibility study process. See the response to OCA/USPS-T2-8.

**OCA/USPS-T2-10.** In the case of AMP studies completed during and since 2002, please provide, on a case-by-case basis, the number of months required for the implementation of the proposed changes resulting from the AMP studies.

**RESPONSE**

Until recently, the Postal Service did not track the time taken to complete implementation of an AMP decision. Generally, from time of AMP approval to completion, implementation takes from two to six months.

**OCA/USPS-T2-11.** Your testimony at page 11, lines 1 through 2, states that, "[T]he Postal Service will not know particular outcomes until each AMP Post Implementation Review (PIR) is completed." For those AMP PIRs that only service (but not efficiency) could be improved:

- a. Do you yet have any follow-on data for any of the PIRs?
- b. Other than the AMP studies mentioned in this filing, how many AMP studies have been conducted during the past 10 years?
- c. For the studies identified in (b), how many implementation reviews have taken place? In your response, please include sample copies of those PIRs and explain how the information gathered has impacted proposed consolidations.

**RESPONSE**

- a. Not yet.
- b. Since 1995, the Postal Service has implemented 28 AMPs.
- c. Until recently, the monitoring of the completion of PIRs was not rigorous. There are several in progress.

**OCA/USPS-T2-12.** Your testimony at page 10, lines 3 through 14, provides the impacts from the ten AMP packages on a cumulative basis. You then indicate in lines 14 to 17 that "The Postal Service does not regard these 10 AMP proposals or their results to be typical or representative of AMP proposals or results that are expected to be reviewed and implemented when the process is rolled out nationwide." Please describe what you expect the typical or representative results of AMP proposals will be when the process is rolled out nationwide.

### **RESPONSE**

Each AMP is unique with varying degree of impact on those criteria listed in OCA/USPS-T2-4. My comment was meant to indicate that there can be a mixture of both service upgrades and downgrades in an AMP, not just upgrades, as in the 10 AMPs approved in October 2005. The Marina AMP in USPS Library Reference N2006-1/6 is an example where both upgrades and downgrades can occur. It is different from the other 10, in terms of the magnitude of the estimated cost impact and because it involved the consolidation of originating and destinating operations.

**OCA/USPS-T2-13.** For the 10 AMP studies described in Library Reference N2006-1/5, the savings listed appear to reflect savings for the first year.

- a. Are other types of savings, such as the reduction of excess capacity or increased use of advanced automation, expected in later years, and if so, what are these types of savings?
- b. What would the timeline for the various types of savings be?
- c. How long would it take for all planned savings to be realized?
- d. How would the existing AMP follow-up procedures be modified to reflect the savings achieved in later years?

**RESPONSE**

- a. There are first year savings and annual recurring savings. Both are listed on Worksheet #2, the Executive Summary for each AMP decision.
- b. First year saving are expected in the first full year following complete implementation. Annual recurring saving are for each year after that.
- c. The savings are annual.
- d. The Postal Service has not studied how that could be done.

**OCA/USPS-T2-14.** Your testimony at page 11, lines 14 through 15, identifies one of several general Postal Service principles underlying network changes as "Consideration of locally-developed alternative network realignment proposals and changes in the application of service standards...."

- a. How many locally developed alternative realignment proposals are considered besides END and AMP proposals?
- b. What causes the locally developed alternatives to be developed in lieu of, or independently of, END and AMP proposals?
- c. What is the current implementation status of the locally developed alternatives for each of the 10 AMP proposals? Please provide this information on a case-by-case basis.

## **RESPONSE**

- a. The phrase there refers to the AMP proposals that emerge from the iterative process during which alternative scenarios may be considered before a particular AMP proposal is decided upon. They are locally developed in the sense that local knowledge beyond the information in the END simulation model comes into play in determining whether to consider one potential local AMP proposal over another.
- b. Outside of the context of END, there can be minor, local mail processing and transportation adjustments that have no material bearing on the larger project of determining mail processing plant facility roles in the future network configuration.
- c. Once a particular AMP objective is decided upon and becomes the subject of an AMP study, any model alternatives that may have been considered are shelved. In each of the 10 cases referenced in the question, the 10 studies validated the consolidation proposals. Those, and only those, plans are being implemented in each case.



**OCA/USPS-T2-15.** At page 11 of your testimony, you indicate that preliminary determinations by local and district management revealed there was considerable opportunity for originating AMP studies system wide.

- a. Were the determinations made independent of the END modeling process?
- b. Assuming that your answer is "yes," please explain the relationship of the decision to examine AMP studies with the decision-making process to implement use of the END model.

**RESPONSE**

- a. Yes.
- b. There is a preliminary determination by local and district management that indicates *there may be an opportunity to improve efficiency and/or service*. the execution of the AMP feasibility study provides the data with which to objectively evaluate the feasibility of that opportunity. Before proceeding with these 10, the Postal Service made sure that goals sought by each of these locally developed AMP proposals were not incompatible with the potential network configuration being developed through the END optimization model and the roles that the affected facilities might have in that future network.

**OCA/USPS-T2-16.** Your testimony at page 2, lines 3 through 6, indicates that the Postal Service has modified its mail processing and distribution network based on factors such as technological advancements.

- a. Are the effects of deploying advanced automation, such as the FSS machines, included in developing planned savings for AMP studies?
- b. Are such effects included in the END modeling process?

**RESPONSE**

- a. No.
- b. Please see the response of witness Shah to OCA/USPS-T1-19(b)

**OCA/USPS-T2-17.** The following interrogatory refers to your revised May 1, 2006, testimony, at pages 15. You indicate that "the Postal Service intends to provide appropriate public notice if a particular study results in a determination to implement operational changes that affect the manner in which existing service standards apply to 3-digit Zip Code origin-destination pair." You then go on to describe the procedure for soliciting public input regarding service standard upgrades and/or downgrades and "any material service changes that are a part of that proposal."

- a. Will public notice of consolidation be provided even if the study indicates there will not be any changes affecting existing service standards applied to 3-digit ZIP Code origin-destination pairs?
- b. Does the Postal Service's commitment to provide appropriate public notice of consolidation studies and to undertake the described procedures regarding "material service changes" prior to submitting the proposal to the Senior Vice-President, Operations at Headquarters, for a final decision apply if there are only indicated changes in collection box times and/or indicated changes in carrier delivery times but no upgrades or downgrades of 3-digit ZIP Code origin-destination pairs?

## RESPONSE

- a) Yes.
- b) The commitment is to have such a meeting in relation to each AMP, irrespective of whether the AMP pre-decisional package projects or proposes any such impacts.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
Revised: July 17, 2006**

**OCA/USPS-T2-18.** The following interrogatory refers to your revised May 1, 2006 testimony, at pages 15 – 16. You indicate that at least 10 days prior to a local meeting those individuals identified previously on the AMP Worksheet 3 will be sent a letter and a local press release will be issued regarding a public meeting to discuss the pending consolidation. You also indicate that the press release will direct interested parties to the USPS website [www.usps.gov](http://www.usps.gov) where the applicable AMP summary will be provided as well as the title and address of the postal official to whom comments should be directed.

- a. Please provide the specific length of time those comments will be accepted prior to a declared deadline. (For example, 10 days, 15 days, etc.)
- b. Please provide the title of the postal official who will be accepting the comments and the address of that official. If the official title is not currently available, please identify the office title and its address.
- c. What is the title of the postal representative(s) who will be briefing the public and soliciting comments, at the AMP public meetings?
- d. What is the title of the postal official or the title of the Headquarters' office where the public's comments will be directed?
- e. Will the comments directed to the Postal Service's website and the comments solicited at the public meetings be summarized and provided to the public on the Postal Service's website? If not, please fully explain why not.
- f. If your response to part e of this interrogatory is affirmative, will the USPS post on its website the official responses to those comments? If not, please explain how the public will get feedback from the Postal Service regarding their comments?
- g. Please provide a sample copy of each document that will be used in notifying the public of a meeting as well as a sample form to be used to record and report public comments.
- h. At what point in the decision process, will the Senior Vice-President, of Operations at Headquarters be given the comment summaries to review? If the Senior Vice-President will not be given the comments, how will those comments be taken into final consideration?
- i. Will the input from the public and/or the summary of comments from the public meeting be considered by the Postal Service at the District or local level to determine whether it may be appropriate to revise or alter the AMP decision prior to forwarding the consolidation proposal to headquarters?

**RESPONSE**

- a) Comments will be accepted for a 15 day period.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
Revised: July 17, 2006**

**RESPONSE to OCA/USPS-T2-18 (continued)**

- b) The Consumer Affairs Manager for the District in which the operation consolidation may occur will accept written comment. The address to which comments should be directed will be posted as part of each public notice.
- c) The District Manager is responsible for coordinating the public meeting. The titles and responsibilities of persons who will be representing the Postal Service at any of these meetings are expected to vary
- d) A summary of the public's comments will be directed to the USPS headquarters Manager of Network Alignment Implementation.
- e) Comments will not be accepted online at [www.usps.com](http://www.usps.com). The website will contain a summary of the AMP impacts and an address where comments can be mailed. Comments are solicited for the sole purpose of providing them to Headquarters for consideration. The Postal Service has no need to post them on the website for this purpose.
- f) Outside of efforts to be responsive to relevant AMP-related service questions during the public meeting, the Postal has no plans to respond in writing to each person who may submit written comments. The Postal Service's commitment is to determine whether the public comments it receives raise issues that merit consideration before a final decision and then to consider those comments before making that decision.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE  
Revised: July 17, 2006**

**RESPONSE to OCA/USPS-T2-18 (continued)**

- g) Communication templates are being developed for notification of the public meeting to all Worksheet #3 recipients of the study notification. A Public Input Summary sheet is also being developed which will categorize comments into several areas including Service Standards, Customer Service, Community Concerns, Political Issues, and concerns related to the AMP process.
- h) The Senior Vice-President will be provided a summary of the public input comments along with the finalized AMP study for consideration and decision.
- i) Yes.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS TO  
INTERROGATORY OF THE OFFICE OF THE CONSUMER ADVOCATE**

475

Revised: July 7, 2006

**OCA/USPS-T2-19.** Please refer to your response to OCA/USPS-T2-4(c) which stated, "An analysis sheet was developed to evaluate space made available from operations consolidation after the evaluation of the 10 facilities included in USPS Library Reference N2006-1/5 were completed."

- a. Please provide a copy of that analysis sheet.
- b. Has that analysis sheet been used for any AMP studies? If so, please list the AMP studies where it has been used.
- c. If the analysis sheet has been used, please provide a copy of one of the completed analysis sheets, if one has not already been submitted in this proceeding.

**RESPONSE**

- a) See the attached.
- b) Yes. It is being used for the AMP feasibility studies that are currently in progress.
- c) The space analysis form was used with the Newark NJ AMP decision. A copy of that decision is being filed as USPS Library Reference N2006-1/14.

# FACILITY WORKFLOOR EVALUATION (CONSOLIDATED FACILITY)

(1) Name, Address, State, ZIP Code: Greensburg PO 1250 Shady Grove Road Darnestown, MD 20848	(2) Facility Type: PO	(3) Facility (Own/LEASE) Own	(4) Annual Lease Cost \$ 850,000	(5) Lease Options/Termination 5 yr/Early termination Penalty	(6) Lease Expiration Date 11/2/2005
(7) Present Facility SF: 2,788 SF	(8) Facility SF Gain as a Result of AMP 600 SF	(9) Current # Carriers: (Rural, City) 7 rural 20 city	(10) Accommodate Additional Carrier Routes as a Result of Gained SF (List 5-Digits) 20814 20855	(11) Number of Carriers Relocated to the AMPed Facility as a Result of Gained SF (Describe Plan below) 15 city	(12) Project Savings \$ 550,000
(13) Project Cost \$ -	(14) Net Savings \$ 550,000.00	(15) Reviewed by: (Name and Title)		(16) Date:	

(17) Describe Plans to Effectively use the gained SF at the Consolidated Facility

(18) Comments



## AMP - FACILITY WORKFLOOR EVALUATION FORM (CONSOLIDATED FACILITY) - INSTRUCTIONS

- (1) Facility Name  
Address  
City, State, ZIP Code
- (2) Post Office, station, branch, Postal Service retail unit, P&DC, P&DF,  
carrier annex, detached Post Office box unit, delivery distribution  
centers, delivery distribution units, or other customer service facility type
- (3) USPS owned or leased facility. If leased, fillout (4), (5), and (6)
- (4) If facility is leased, what is the total annual lease cost?  
What are the lease terms? Ex: Lease with a 10-year base term that provides for an annual rent of
- (5) \$145,000. The lease also includes two 5-year options.
- (6) Lease expiration date
- (7) Total Facility Square Footage
- (8) After volume/machinery is relocated (AMPed) what is the SF gain?
- (9) List separately total number of current rural and city carriers
- (10) List individual 5-digit zones to be accommodated in the facility as a result of gained SF
- (11) List separately addition of number of proposed rural and city carriers
- (12) Projected savings by relocating carriers, closing annexes, terminating leases, etc
- (13) Any Cost incurred by performing item (12)
- (14) Automatically calculated
- (15) Name and title of person verifying the accuracy of the form
- (16) Date when form was verified
- (17) Detailed description of the plan to effectively utilize the available space
- (18) Additional comments

**OCA/USPS-T2-20.** Please refer to your response to OCA/USPS-T2-5 in which you expressed agreement with the OIG Report of December 2005 voicing concern that "Without clear guidance, the ability to implement AMPs with minimal disruption is affected and may cause inconsistencies in using the process."

- a. Do you believe that in order to avoid inconsistencies in the AMP process there should be decision rules that would provide guidance as to when a proposed consolidation should be rejected due to adverse impact on the service standards for 3-digit ZIP Codes? If not, please explain the reasons for your answer.
- b. Do you believe that in order to avoid inconsistencies in the AMP process there should be decision rules that would provide guidance as to when a proposed consolidation should be rejected due to the volume of mail for which service standards for 3-digit ZIP Codes would be downgraded? If not, please explain the reasons for your answer.
- c. Do you believe that in order to avoid inconsistencies in the AMP process there should be decision rules that would provide guidance when a proposed consolidation should be rejected due to a certain level of adverse impact on collection box pick-up times in the area of the losing facility? If not, please explain the reasons for your answer.
- d. Do you believe that in order to avoid inconsistencies in the AMP process there should be decision rules that would provide guidance when a proposed consolidation should be rejected because the first year savings do not meet a certain level of savings or save a certain percentage of operations costs?
- e. Are there any decision rules, such as those cited in part a-d above, or others which are applied by the Postal Service to the AMP studies?
- f. Do you know of any decision rules applied by the Postal Service during the AMP process that, if applied, would be sufficient to reject the proposal. If so, please state the decision rules and/or provide a reference to those decision rules in Postal Service documents.

## RESPONSE

- a-f) The AMP Guidelines do not set specific criteria regarding the magnitude of changes in delivery service standards, collection box impacts, or savings and cost expectations per facility. For purposes of END, each AMP proposal is evaluated on its own merits, based on the feasibility study that is conducted and the potential future network roles of the facilities involved. Although the facilities subject to AMP review have many common characteristics, each has

Revised: July 7, 2006

RESPONSE to OCA/USPS-20 (continued):

characteristics and relationships to other facilities in the network that make each facility different and each decision unique. Even if the Postal Service established a set of objective criteria for determining whether to approve all AMP proposals, there is any number of variables that might justify exceptions to such decision rules. As indicated in response to OCA/USPS-T2-5, the Postal Service seeks to ensure consistency in the use of the AMP process. Each proposal is scrutinized by the same group at headquarters and the final decision is made by the same Senior Vice President. It is important that the AMP guidelines study process be adhered to consistently throughout the system and that the conduct of individual AMP studies not be influenced by whether they might achieve certain objective threshold targets.

**OCA/USPS-T2-21.** Please refer to your response to OCA/USPS-T2-9 indicating "For the six AMPs approved in 2004, there were ten (10) 3-digit upgrades and sixteen (16) 3-digit pair downgrades."

- a. Please confirm that the six AMPs approved in 2004 referred to in your response are contained in LR-L-N2006-1/11. If not, please explain.
- b. Please list the upgrades and downgrades for the six AMPs approved in 2004, by ZIP Code, service commitment before and after consolidation, and the volume of mail involved with each change in service commitment.

## RESPONSE

a) Confirmed.

b) Worksheet 7 of each of the six AMPs in USPS LR-N006-1/11 provides the service standard impacts, if any, by 3-digit pair and provides an aggregate volume per AMP.

**RESPONSE OF WITNESS WILLIAMS TO INTERROGATORY  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS SHAH**

481

**OCA/USPS-T1-17**

Please refer to the response to interrogatory DBP/USPS-28. The response states: "[I]t is expected that the domestic (excluding military mail) service standards for Periodicals will either be equal to, or slower than, the service standards

for First-Class Mail." The implication of this statement is that, for many ZIP Code pairs, Periodicals Mail may have the same service standards as First Class Mail.

- a. In light of the response, please state why the worksheets provided in USPS Library Reference N2006-1/5 generally do not state whether there will be degradation in Periodicals Mail service standards.
- b. For each of the facilities referenced in LR-2006-1/5, both losing and receiving operations, were the service standards for Periodicals Mail reviewed to determine if service between any ZIP Code pairs would be degraded?
  - i. If so, please provide the results of that review; and please provide the ZIP Code pair changes in Periodicals Mail service standards.
  - ii. If not, please explain why there was no review of the impact on Periodicals Mail service standards.

**RESPONSE**

- (a-b) None of the AMP decisions reflected in Library Reference N2006-1/5 involved any First-Class Mail downgrades. Accordingly, the decisions generated no Periodicals downgrades to analyze or report.

**RESPONSE OF WITNESS WILLIAMS TO INTERROGATORY  
OF THE OFFICE OF THE CONSUMER ADVOCATE  
REDIRECTED FROM WITNESS SHAH**

482

**OCA/USPS-T1-18**

For each of the 10 facilities transferring some mail processing operations included in Library Reference USPS-LR-N2006-1/5, please state whether the facility included a Business Mail Entry Unit (BMEU) prior to the consolidation.

- a. Will any BMEUs be closed as a result of the 10 AMP consolidations?
- b. Following consolidation, of those BMEUs remaining open in a facility that is transferring some mail processing operations, will mailers be permitted to tender all classes of mail at each of those BMEUs, including First Class and Priority Mail? If not, please explain why not?
- d. For any BMEUs that will be closed as a result of the 10 consolidations, please confirm that mailers located near the closing facility may have to transport their mail over greater distances to the gaining facility.
  - i. If you do confirm, please explain why the AMP procedure does not specifically include an evaluation of this impact?
  - ii. If you do not confirm, please fully explain.
  - iii. What notification is provided to mailers about the closing of any BMEUs as a result of consolidations? Please provide an example of a notification.  
How much advance notice is provided to mailers prior to the closing
  - iv. of any BMEUs as a result of consolidations?

**RESPONSE**

- (a) No such closures are planned for any of the 10 in conjunction with these consolidations.
- (b) Yes.
- (d)(i-ii) N/A. See the response to subpart (a).
- (iii) See the attachment to this response.
- (iv) When an AMP study is announced, BMEU customers are notified through the Worksheet 3 notification process of the possibility that the study could lead to a decision affecting the BMEU. Studies commonly

**RESPONSE to OCA/USPS-T1-18 continued**

take months to complete before being sent to the Area office and then to Headquarters for review. After a final decision is made and its results transmitted to postal employee union and association representatives, BMEU customers are notified of the results, including any nature and expected timing of any planned BMEU changes. To the extent that customer comment is solicited before a final decision is made, BMEU customers have an opportunity to respond.

# ***MARINA AMP uspsnewsbreak***

March 14, 2005

"We must treat everyone with dignity and respect every day." – Postmaster James A. Smith

## **New Airport BMEU opens Thursday; Marina BMEU closes Friday**

The new Business Mail Entry Unit (BMEU) at Airport Post Office will host an open house on Thursday, March 17, from 11 a.m. to 2 p.m., to acquaint customers with operations at the newly refurbished unit. The BMEU at the Marina Processing & Distribution Center (P&DC) will close on the following day.

In the meantime, Acting Marina Plant Manager Lee Jordan said that, except for minor glitches, equipment moves and mail transfers between the Marina and Los Angeles P&DCs are on schedule. The shift of originating mail in the 902-904 ZIP Codes from the Marina to the LA plant occurred as scheduled, between Feb. 26 and March 5. During the same interval two Advanced Facer-Canceller Systems and three Output Sub-System Kits were moved.

Mail for ZIP Code 90230 (Culver City) was decentralized during the week of March 1, and mail for ZIP Code 90291 (Venice) was decentralized the week of March 6.

The following equipment moves from the Marina P&DC to LA P&DC took place on Saturday, March 12:

- One Automated Flat Tray Lidder (AFTL)
- One Model G canceling machine (older model facer-canceller also referred to as a flyer)
- One FSM 100 flat sorter machine

One Triple A tying machine was relocated from the Marina to the International

(more)



Service Center also on March 12.

Jordan said that the issuance of employee assignment information is on schedule and would be available soon.

The acting plant manager said that in the midst of mail and equipment moves and more than their fair share of uncertainty, Marina employees continue to have upbeat attitudes and complete their assignments expeditiously. "And we celebrate our success at every opportunity," he said.

Jordan referred to a calendar of events which highlights special days at the Marina P&DC. As recently as Thursday, employees had a cake and punch party to celebrate Marina's Program Evaluation Guide (PEG) score of 4.57. "More than ever, our employees need to be recognized for their extraordinary efforts," Jordan said.

# # #



January 31, 2005

The Postal Service, along with many businesses and corporations across the country, is experiencing the effects of a changing economy. Our mail volumes are fluctuating, and expenses are increasing. In line with the Postal Transformation Plan which requires postal managers to aggressively manage costs, a decision has been made to close the Marina Mail Processing & Distribution Center (Inglewood SCF). On January 14, 2005, it was announced that the Marina facility will be closing in early June. Our District Manager Bill Almaraz explained "by consolidating processing and administrative operations, we can improve efficiency and reduce costs".

The following changes will occur:

- Bulk Mail accounts will be transferred to the Los Angeles Airport Station, 9029 Airport Blvd., Los Angeles, CA 90009.
- Caller Service will be moved to Inglewood's Hillcrest Station located at 300 E Hillcrest Blvd., Inglewood, CA 90301.
- Mail processing functions will be moved to Los Angeles General Mail Facility at 7001 S Central Ave., Los Angeles, CA 90052, with the exception of Torrance (905) mail, which will go to Long Beach Processing and Distribution Center on 2300 Redondo Ave., Long Beach, CA 90809.

Retail services will remain at the Inglewood SCF site.

The Los Angeles Airport Station Bulk Mail Entry Unit (BMEU) has been selected as the primary mailing location for all Marina permits. This location is less than 5 miles from the existing Marina P&DC. There are 3 Satellite BMEUs listed on the attachment which provide other options for permit holders who retain their accounts at Airport BMEU. If you do not wish to transfer your bulk mail account(s) to the Airport BMEU, you may opt to transfer to a neighboring city. To do so, please complete the attached survey providing us with your preference for a new mailing location. Please submit your survey as directed on the attachment no later than February 14, 2005.

Caller Service (PO Boxes) and Business Reply (BRM) accounts will remain the same for customers who choose to pick up their mail at Hillcrest Station. Please note the mail will not be available as early as when it was picked up at the Marina. Should you decide to change your Caller Service/BRM to another location, it will be necessary to submit new applications and obtain new box numbers. Please contact your Business Service Network Representative and ask for a Caller Service Change Kit.

Specific dates for the transition of services have not yet been finalized. Our recommendation is that you begin to consider your options and contact your Business Service Network Representative for assistance. If you are not sure who your representative is call our general number at 323-586-1843.

Sincerely,

Jacqui Cotte'  
Mgr. Business Service Network Operations

7001 S CENTRAL AVE  
LOS ANGELES CA 90052-9602  
(323) 586-3812  
FAX (323) 586-1703

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF POSTCOM**

487

**POSTCOM/USPS-T2-4.** The USPS Area Mail Processing Communications Plan, USPS Library Reference N2006-1/4, identifies three events that trigger various communication responsibilities. The responsibilities are triggered upon:

1. a decision to undertake a feasibility study;
  2. completion of a feasibility study and approval decision to consolidate mail processing operations; and
  3. completed transfer of mail processing operations.
- a. Does the Postal Service have an Area Mail Processing Communications Plan *upon implementation*? If so, please provide a copy. If not, why not?
  - b. What forms of communications are *available to the Postal Service* to inform mailers of anticipated and effective changes in bulk mail entry locations, mail preparation or entry requirements, and any other changes in mail processing operations that affect mailers?
  - c. What forms of communications are *used by the Postal Service* to inform mailers of anticipated and effective changes in bulk mail entry locations, mail preparation or entry requirements, and any other changes in mail processing operations that affect mailers?
  - d. Will the Postal Service develop a communications plan for each approved AMP consolidation decision in the future, to inform mailers of anticipated and effective changes in bulk mail entry locations, mail preparation or entry requirements, and any other changes in mail processing operations that affect mailers? If not, why not?

**RESPONSE:**

- (a) No. Because the Postal Service has not determined that it needs to develop standardized plans to publicly communicate all of the events that could be depicted in documents such as the attachment to the response to POSTCOM/USPS-T2-1(b&c).
- (b) The following forms of communication are among those available to the Postal Service to inform mailers of changes:  
  
Print media, such as *Postal Bulletin*, *Domestic Mail Manual*, *Federal Register*, press releases and other hard copy forms.

RESPONSE to POSTCOM/USPS-T2-4 (continued):

- Electronic transmissions through DMM Advisory, usps.com, RIBBS, Facility Access and Shipment Tracking (FAST), and others.
  - Broadcast media, such as the Postal Service Television Network (PSTN), local and commercial television networks
  - Videos produced by the Postal Service
  - Face-to-face meetings with mailers, such as Postal Customer Council (PCC), Mailers Technical Advisory Committee, industry conventions, and other local meetings
  - Telephone calls from the Business Service Network to national and premier accounts
- (c) The same as in response to subpart (b).
- (d) The Postal Service expects that local managers will take necessary steps to inform local BMEU and retail customers who are directly affected by local changes.

**POSTCOM/USPS-T2-6.** Please explain how the Postal Service evaluates the effectiveness of its communications with mailers regarding changes in its operations during the implementation of mail processing consolidations.

**RESPONSE:**

The Postal Service has not settled upon a method for evaluating the effectiveness of such communications.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF POSTCOM**

490

**POSTCOM/USPS-T2-11.** Please identify and describe all the sources of Postal Service data or information that mailers use in the course of mail preparation or entry that may potentially need to be changed or updated as a result of an AMP implementation or consolidation. Please describe the content and use of each source or dataset. (For example, some of these sources may include the following: the "dropship" file; "ZIP/CIN" file; "DEPS", electronic labeling lists; FAST destinations/redirections)

**RESPONSE:**

Sources of data or information that could need to be updated:

Source	Content	Use
<i>Domestic Mail Manual</i>	<i>Labeling lists</i>	Container labels for presort
FAST	DEPS	Redirections
zone charts	origin and destination 3-digit and zones	Identifies distance between origin and destination pairs
Marketing publications	<i>Memo to Mailers</i> <i>Mailers Companion</i>	Provides general information
usps.com	Postal Explorer, Business Mail 101, publications	Provides general and specific information about mailings

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF POSTCOM**

491

**POSTCOM/USPS-T2-12.** Please provide copies of the Postal Service's plans and procedures for ensuring that each of these sources are updated on a timely basis to ensure that mail can be and is prepared in a manner that conforms to the reconfigured network.

**RESPONSE:**

Copies are not available at this time.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF POSTCOM**

492

**POSTCOM/USPS-T2-13.** Please indicate how much notice prior to implementation of each approved AMP consolidation will be given to mailers entering mail at each facility that has been affected by that consolidation.

**RESPONSE:**

The Postal Service works with mailers on a local basis to keep them informed of AMP consolidations as it deems necessary. The degree of advance notice can be expected to vary depending on the complexity of the particular consolidation and other local circumstances.



**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF POSTCOM  
REDIRECTED FROM POSTAL SERVICE WITNESS SHAH**

493

**POSTCOM/USPS-T1-16.** Please indicate whether and when mailers that enter significant destination entry volumes at facilities that may be affected by proposed AMP consolidations will be consulted before a final decision is made regarding the AMP proposal. Prior to a final decision, will these mailers be asked for input to perform a "reality-check" on the simulated volumes and timing of arrival of these volumes at the proposed, consolidated facility that are generated from the END model? If not, why not?

**RESPONSE:**

Mailers will be notified regarding the AMP study impacts in accordance with the AMP Communications Plan. No process has been established for identifying specific mailers to be invited to provide "reality checks" before final decisions are made.

**VP/USPS-T2-1.**

Please refer to your testimony at page 3, lines 8-10, where you state that "[b]y consolidating operations ... the Postal Service can ... more efficiently process mail."

- a. For the 10 P&DFs that are included in library reference USPS-LR-2006-1/5, do they generally use the same equipment to process originating First-Class Mail as the "gaining" P&DC? If important differences exist in the equipment or methods used by P&DFs and P&DCs, please describe.
- b. To the extent that P&DFs use equipment similar to that used in P&DCs (*i.e.*, with similar run rates, or throughput rates), please describe in more specificity the relative inefficiencies of the P&DFs (*vis-a-vis* P&DCs) and the major source(s) of efficiency gained by consolidating originating First-Class Mail to nearby P&DCs.

**RESPONSE**

- (a) Yes.
- (b) It is not the case nor a premise of consolidation that P&DFs are, *per se*, less efficient than P&DCs. Efficiency gains are expected to come from consolidating certain operations into fewer locations and better utilizing available capacity .

Revised: April 14, 2006

**VP/USPS-T2-2.**

Your testimony at page 3, lines 10-12, states that "[I]n years past, the vast majority of AMP proposals have involved consolidation of outgoing First-Class Mail operations."

- a. Do each of the 10 AMP proposals included in library reference USPS-LR-2006-1/5 involve consolidation of outgoing First-Class Mail operations?
- b. Do any of the 10 AMP proposals included in library reference USPS-LR-2006-1/5 involve consolidation of outgoing operations for any other class of mail? If so, please specify each other class being consolidated.
- c. Is it correct that each of the 10 AMP proposals included in library reference USPS-LR-2006-1/5 requires the Postal Service to incur additional transportation cost? Please explain any negative answer.
- d. To the extent that the Postal Service incurs additional transportation cost as a result of any of the 10 AMP proposals included in library reference USPS-LR-2006-1/5, are all of those additional costs incurred in Cost Segment 14, purchased transportation? If not, in what Cost Segment are those additional transportation costs incurred?

**RESPONSE**

- (a) Yes.
- (b) Yes. All originating operations are affected.
- (c) No. Re-examine each Worksheet 9 in that Library Reference.
- (d) The transportation involved is both highway contract transportation and postal transportation.

**VP/USPS-T2-3.**

- a. For the 10 AMP proposals included in library reference USPS-LR-2006-1/5, following consolidation, will any originating, or outgoing, operations remain at the 10 P&DFs from which originating First-Class Mail operations were consolidated? Please explain any affirmative answer.
- b. Will any of the 10 P&DFs from which originating First-Class Mail operations were consolidated continue to use their automated letter and flat sorting equipment for any outgoing sortations? If so, describe which equipment will be utilized for such outgoing sortations, and how it will be utilized.
- c. If the idle time increases for equipment that was formerly used for outgoing sortations at the 10 P&DFs from which originating First-Class Mail operations were consolidated, will that diminish the utilization rate and Return on Investment ("ROI") for such equipment? Please explain any negative answer.

**RESPONSE**

- (a) No.
- (b) No.
- (c) Bear in mind that utilization will increase and idle time will decrease for similar equipment at the gaining facility, which would tend to increase ROI on that equipment. It is expected that excess equipment at consolidated facilities will be relocated to where it can be better utilized.

**VP/USPS-T2-4.**

- a. For each of the 10 P&DFs that are included in library reference USPS-LR-2006-1/5, and from which originating First-Class Mail operations were consolidated, do the "gaining" P&DCs use the same sortation scheme for originating mail as did the P&DF from which the mail was consolidated?
- b. If your response for any of the 10 P&DCs is negative, please indicate how many of the P&DCs are required to implement a different sortation scheme on account of having to process the consolidated First-Class Mail from the P&DFs.

**RESPONSE**

- (a) Not necessarily.
- (b) Whether or not old or new sort schemes are utilized is a local decision. In the end, each gaining facility may find that one or the other, or a mix of old and new sort schemes provides a solution.

**VP/USPS-T2-5.**

Please refer to your testimony starting on page 7, which describes post-implementation review, especially at lines 5-7, which states that "post-implementation reviews must be completed within 30 days after the second full quarter following implementation and after the first full year following implementation."

- a. Does a standard format exist for either or both of the post-implementation reviews? If so, please provide a copy. If not, please indicate what instructions exist for the post-implementation reviews.
- b. For each of the 10 AMP proposals included in library reference USPS-LR-2006-1/5, please indicate the dates when the first (30 days after the second full quarter) and second (first full year) post implementation reviews can be expected.
- c. Will the post-implementation reviews cover all aspects projected in the AMP, including the extent to which projected changes in service standards are being met, as well as cost savings, transportation costs incurred, etc.? If any of the projected changes may be omitted in the post-implementation reviews, please so indicate.

**RESPONSE**

- (a) See page 12 of USPS Library Reference N2006-1/3.
- (b) Some of the 10 AMPs in USPS Library Reference N2006-1/5 are in progress. In contrast, the first post-implementation review for the Marina AMP, reflected in USPS Library Reference N2006-1/6, is expected at Headquarters at the end of April 2006.
- (c) See page 12 of USPS Library Reference N2006-1/3.

**VP/USPS-T2-6.**

- a. For First-Class Mail that is consolidated from a P&DF to a P&DC, what plans does the Postal Service have for measuring the quality of service, or service performance, given to that mail after it has been consolidated?
- b. As a hypothetical, please suppose, for whatever reason(s), that the actual service performance for consolidated First-Class Mail is somewhat worse than projected by the AMP. How would the Postal Service ever know this?

**RESPONSE**

(a&b) The AMP review and decision process does not project future service standard achievement levels. Nevertheless, as it can today, the Postal Service will be able in the future to monitor originating and destinating service performance scores for Performance Clusters covered by EXFC, as well as ODIS time-in-transit data for all 3-digit ZIP Code pairs, irrespective of whether those Performance Clusters or 3-digit ZIP Code pairs were the subject of a consolidation decision.

1                   VICE CHAIRMAN TISDALE: Is there any  
2 additional written cross-examination for Witness  
3 Williams?

4                   MR. RICHARDSON: Mr. Presiding Officer, I  
5 have two designations that OCA was requested by Post  
6 Com to designate, which I believe were inadvertently  
7 omitted from their designations. If I could show  
8 those to the witness and have them entered into the  
9 record? They are Post Com/USPS-T2-18 and Post  
10 Com/USPS-T2-19.

11                  VICE CHAIRMAN TISDALE: Okay.

12                  (Witness shown the documents.)

13                  MR. RICHARDSON: Do they reflect your  
14 responses?

15                  THE WITNESS: Yes.

16                  VICE CHAIRMAN TISDALE: Okay. If you will  
17 just hand those two copies of the written cross-  
18 examination to the reporter and that material is,  
19 also, received into evidence and is to be transcribed  
20 into the record.

21                  //

22                  //

23                  //

24                  //

25                  //



1 (The document referred to  
2 were marked for  
3 identification as Post  
4 Com/USPS-T2-18 and Post  
5 Com/USPS-T2-19 and were  
6 received in evidence.)

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF POSTCOM**

**POSTCOM/USPS-T2-18.** Has the Postal Service considered how the savings that may result from the AMP consolidations that are expected to be or have been implemented between FY2005 and FY2008 are likely to affect worksharing discounts? If so, what are the likely effects?

**RESPONSE**

I am not aware of any such analysis or whether any is contained in the current rate case.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS WILLIAMS  
TO INTERROGATORY OF POSTCOM**

**POSTCOM/USPS-T2-19.** Current Postal Service drop entry rates for Standard Mail contemplate the existing network of dBMCs and dSCFs.

- a. How will the existing BMC and SCF destination entry rate scheme apply to the new facility types (RDCs, DPCs, etc.) as the network evolves? (For example, will the current dBMC rate apply to drop entry at destinating RDCs?)
- b. What changes to the destination entry rate scheme and rates are likely to occur as the network evolves?

**RESPONSE**

- a. As the network concept is clarified so that the expected approximate number of RDCs becomes known, this will determine the degree to RDCs and LPC/DPCs, respectively, take on the same destination entry roles as BMCs and SCFs, for rate and classification purposes.
- b. I am informed that the Postal Service has not yet determined to what degree or in what form or at what time classification or rate changes might be proposed in relation to upcoming network changes.

1 VICE CHAIRMAN TISDALE: Any other additional  
2 written cross-examination for Witness Williams?

3 (No verbal response.)

4 VICE CHAIRMAN TISDALE: Then this begins the  
5 -- this brings us to oral cross-examination and two  
6 participants have requested oral cross-examination,  
7 American Postal Workers Union, AFL-CIO, Mr. Anderson;  
8 and the Office of the Consumer Advocate, Mr.  
9 Richardson. Is there any other participant, who wants  
10 to cross-examine Witness Williams?

11 (No verbal response.)

12 VICE CHAIRMAN TISDALE: Mr. Anderson, will  
13 you, please, begin?

14 MR. ANDERSON: Thank you, Mr. Presiding  
15 Officer.

16 CROSS-EXAMINATION

17 BY MR. ANDERSON:

18 Q Mr. Williams, you're a manager of processing  
19 operations, network operations management, as I  
20 understand it. Is that a correct title?

21 A That's correct.

22 Q Is that a line management operation, as  
23 opposed to a staff job?

24 A No, it is not a line management job. It  
25 is --

1 Q Staff?

2 A -- a functional staff.

3 Q You're support staff, okay. And how long  
4 have you held that position again?

5 A Since October of 2005.

6 Q Before that, when were you manager of  
7 processing and distribution center operations?

8 A From January 2005 until October 2005.

9 Q And when were you manager of systems  
10 integration and support?

11 A It was approximately September 2001 through  
12 January 2005.

13 Q And I assume those two previous positions  
14 were also staff positions, is that correct?

15 A That is correct.

16 Q And did those positions also involve the  
17 work -- or some of the work that you're doing now with  
18 the AMP process?

19 A The manager of processing and distribution  
20 center operations did.

21 Q So beginning in January 2005, you had that  
22 responsibility?

23 A Correct.

24 Q And in contrast, what about the manager of  
25 systems integration and support, what did you do in

1       that position?

2           A     That position was responsible for all new  
3       equipment deployments, integrating new equipment  
4       deployments with field operations, as well as  
5       functional responsibility for our remote bar coding  
6       system network.

7           Q     I inferred from your testimony, but I would  
8       like you to confirm it for me, if I'm right or correct  
9       me if I'm wrong, that the END model, from your  
10      perspective, at least, had been completed by the  
11      summer of 2005 and that what followed from the summer  
12      of 2005 was work needed to use the AMP procedures with  
13      the model, together with the model. Is that a fair  
14      characterization?

15          A     It was fall 2005.

16          Q     By the way, are you more comfortable saying  
17      "A-M-P" or "AMP?" How do you --

18          A     A-M-P. I call it A-M-P, yes, sir.

19          Q     Okay. So, now, can I refer you, please, to  
20      APW-USPS-T2-66? And, in particular, there's a passage  
21      in your response in B, which makes reference to  
22      headquarters deciding to adopt a centrally directed  
23      approach to identify AMP opportunities in the future,  
24      meaning identify future opportunities, which has now  
25      occurred.

1 A That is correct.

2 Q Okay. And so, by -- that answer was filed  
3 June 1, 2006, is that correct?

4 A That's correct.

5 Q Okay. So, that by June 1, 2006, there was a  
6 centrally directed approach using the END model to  
7 direct AMP work?

8 A That's correct.

9 Q Do you know how many AMP studies have been  
10 directed through END?

11 A Directed through END?

12 Q Yes. If you would like to refer to  
13 something, why don't you let me know what you're  
14 referring to, so I can look to? Is that your list of  
15 41 there?

16 A This is the list of 41 in my testimony.

17 Q That is T2 to your testimony, is that right?

18 A That's correct. I'm referring to that list.

19 Q If you could give me a moment, please, and  
20 let me refer to that? Go ahead, sir.

21 A There were a number of these AMPs that are  
22 on this current list of 41 that were in the hopper, so  
23 to speak, before the centrally directed approach  
24 occurred. So, it's very difficult to discern which  
25 ones on this list were a result of that centrally

1 approach to AMP or the identification of AMP  
2 opportunities, based on the output of the END model.  
3 So, this list of 41 reflects a blended approach from  
4 the list that had been developed over the course of  
5 the years, approximately from about 2001 through the  
6 time that we started initiating these AMPs. So, I  
7 don't have that direct number to how many of these  
8 were centrally directed because of that. But, there  
9 are a number of these on there that were centrally  
10 directed. And a lot of those AMPs that were on the  
11 list were consistent with the output of the END model.  
12 So, it's a blended hybrid list.

13 Q Let me back up one question. I know by June  
14 1<sup>st</sup>, when you filed your answer to T2-66, the centrally  
15 directed process had been done. I neglected to ask  
16 you, can you put a date on when you first sort of  
17 kicked off or implemented the centrally directed  
18 system?

19 A It was late 2005.

20 Q Okay, thank you. Now, looking at your list,  
21 which is USPS-T2, it's attached to your testimony, I  
22 see that the Newark PNDC is on there. Was that one  
23 that was centrally directed or was it otherwise?

24 A I don't recall.

25 Q Is there anyway for us to find out?



1           A     I believe we could get that for you.

2                     MR. ANDERSON:  Would you supplement your  
3     answer, please, for that, I would ask?  Mr. Tidwell?  
4     That's a yes, okay.

5                     BY MR. ANDERSON:

6           Q     But, in any event, END was -- for those that  
7     had been begun in the field prior to the END initiated  
8     AMPs, they were -- once END was completed, as an  
9     evaluative tool, they were then tested to see if they  
10    were consistent with END, as I understand it?

11          A     That's correct.  It was a blended approach.  
12    We had a list of approximately 30 or so, maybe a  
13    little bit more, that we had at headquarters.  And we  
14    had this iterative process going back and forth with  
15    the area managers of then plant support and we were  
16    asking them for their opportunities that they had  
17    identified at the area and district levels.  So, we  
18    were getting input up from the area.  We had this  
19    existing list already and then we got the out put of  
20    the END model in the fall of 2005.  And so at that  
21    point, we had this merging of the AMP process and the  
22    END process and that was really the start of that  
23    approach.

24          Q     Would you, please, make reference to APW-  
25    USPS-T2-1?  And part C of that interrogatory response,

1     you stated that seven of the 10 studies that were  
2     presented to the Commission in this case --

3             A     I'm sorry, could you --

4             Q     I'm sorry?

5             A     I'm sorry, I'm not there.

6             Q     Okay, sorry. I thought you were.

7             A     I was on the wrong one. Okay, I'm sorry, I  
8     got it.

9             Q     Okay.

10            A     T2-1, correct?

11            Q     The question was whether the 10 projects  
12     that were used to test the internal administrative  
13     processes were selected from that group. And you said  
14     from that 10, and you said that seven of the 10 --

15            A     Seven of the 10 selected from the original  
16     group. I believe there was 28, maybe -- I think it  
17     was 28.

18            Q     If you would -- I believe it was 24. Again,  
19     consult to your answer to T2-1, answer A.

20            A     Two dozen, approximately.

21            Q     Well, you have 24 exactly listed there.  
22     Would that have been correct at the time?

23            A     Approximately two dozen.

24            Q     Okay. And seven of the 10 that were  
25     presented to the Commission in this case came from

1       that list of 24?

2           A     Correct.

3           Q     And those were 24 that had been suspended.  
4       They were in process, but they were suspended pending  
5       the development of END?

6           A     Correct.

7           Q     Okay. And do you recall where the other  
8       three studies came from, how they were selected?

9           A     As I said, we had this process of  
10      interaction between the areas, primarily with the  
11      managers of end plant support and my office, and we  
12      were soliciting their list of opportunities that we  
13      could move forward to, if and when we decided to  
14      restart. And we had a list and I know that Olympia  
15      was on that list around February of 2005. Monmouth  
16      came on that list, I believe, as a result of opening -  
17      - reopening up Trenton, because of the closure with  
18      anthrax and they viewed that as an opportunity capture  
19      excess capacity, because they had been operating  
20      without a plant in that area.

21               VICE CHAIRMAN TISDALE: Excuse me, just a  
22      minute, Mr. Williams. I've been requested to ask you  
23      to back up just a little bit from --

24               THE WITNESS: Oh, I'm sorry.

25               VICE CHAIRMAN TISDALE: -- the microphone.

1 THE WITNESS: I'm sorry.

2 VICE CHAIRMAN TISDALE: Thank you.

3 THE WITNESS: And the northwest Boston was  
4 an addition, based on a request from the northeast  
5 area to add that to the list.

6 BY MR. ANDERSON:

7 Q In part D of that same interrogatory  
8 response, you were asked to provide the criteria for  
9 selection of the 10 studies that were presented to the  
10 Commission in this case. You responded, "area  
11 management proposed to headquarters AMP studies, which  
12 meant the current and future network requirements to  
13 proceed with." So, the 10 that were submitted here  
14 met the END criteria, as I understand the import of  
15 that answer; is that right?

16 A Yes. After that list of 10 was put through  
17 the process that Mr. Shah described and we validated  
18 that it was consistent with the future, then --

19 Q Okay. What I'm groping for here a little  
20 bit, Mr. Williams, is how you selected these 10, as  
21 opposed to the other 17. Presumably, the other 17  
22 also met the END criteria or did they not?

23 A I don't recall all 17. I don't recall  
24 viewing output for each of the 17, whether they were  
25 consistent with the future model. The original -- in

1 the summer of 2005, I believe it was either in May or  
2 June, the Postal Service was in the process of  
3 deploying bio-detection system units and ventilation  
4 filtration system units, which were in response to the  
5 anthrax attacks on our nation's network. And so, we  
6 were deploying this equipment to detect and to protect  
7 bio-hazards in the mail stream. These systems were  
8 very expensive and the thought was that we have a list  
9 of AMPs, are there any AMPs that we're considering  
10 that are in the process or on the future deployment  
11 list to receive that equipment and could we initiate  
12 AMPs to avoid deploying that equipment. That was the  
13 initial thrust of the identification of the first 10.

14 Q So, are you saying that the 10 that were  
15 submitted to the Commission, were they earliest in the  
16 pipeline?

17 A I'm not sure -- when you say "pipeline,"  
18 what are you talking about? Let me -- in the summer  
19 of 2006, there was a proposal to initiate, to restart  
20 up the AMP process.

21 Q Two-thousand-five, I think you mean.

22 A Right, 2005, I'm sorry, 2005; summer of  
23 2005, to restart it up, to avoid the very expensive  
24 hardware and the response plan that would be put in  
25 place in these communities. And that was the first

1 start of lifting the AMP process, reopening it up.  
2 And we had this list of approximately two dozen or so  
3 AMPs on the list and we started to look through that  
4 list for opportunities, where we could evaluate the  
5 AMP, to see if it was feasible and to avoid that very  
6 expensive deployment of that equipment.

7 Q Do you know how many of the 10 fell into  
8 that category?

9 A I do not recall.

10 Q Would it have been fewer --

11 A They were not the same 10.

12 Q Would it have been fewer than five of the 10  
13 that were submitted to the Commission?

14 A I couldn't give you a number. I really -- I  
15 don't know.

16 Q Could it have been one?

17 A There was at least one.

18 Q At least one of the 10 submitted to the  
19 Commission?

20 A I believe there was -- I believe Waterbury,  
21 I believe might have been one of them. There were  
22 maybe a couple.

23 Q Can you recall what other criteria were used  
24 to determine what 10 were submitted to the Commission?

25 A After evaluating the list, it was decided

1       that we would only move forward with 10 that had no  
2       service standard downgrades.

3           Q       Can you describe for us, for the Commission,  
4       what END inputs are taken into account during the AMP  
5       process?  If you may -- if you wish, look at APW-USP-  
6       T2-12.

7           A       Okay.

8           Q       In part, your answer says that the END model  
9       produces inputs that can be taken into account during  
10      the AMP process.  Can you describe what the inputs  
11      are?

12          A       That input was -- it's an opportunity list.  
13      As we've centrally directed the approach, we've taken  
14      the END output, based on three digit zip assignments  
15      and where those zip assignments are assigned to a  
16      local processing center or a destinating processing  
17      center.  We use that output of the END model and  
18      compare that with the current network.  And we  
19      identified through exceptions which current facilities  
20      that are processing either originating and/or  
21      destinating volumes that are not planned for the  
22      future and we've come up with our candidate list.  And  
23      that's the input used in the AMP process.

24          Q       And then, likewise, when the AMP process is  
25      concluded with a report to headquarters, that report

1 is then run through the simulation model, as I  
2 understand it.

3 A That's correct. That's my understanding.  
4 Mr. Shah's functional area is one of the cross  
5 functional reviewers of the AMP packages.

6 Q Can you tell us, by the word, this word  
7 "cross functional," what that means? What's a  
8 function and can you give us -- and if you can, tell  
9 us what they are or give us some examples.

10 A We've got the manager of field budget, who  
11 evaluates the work hours.

12 Q Excuse me, sir, can I ask you what you're  
13 looking at?

14 A I'm looking at a draft copy that we send  
15 proposals, a cover letter that we send the proposals  
16 to this cross-functional team, and it's got --

17 Q Okay. That's the cover letter you send when  
18 --

19 A That I send.

20 Q -- an AMP comes in from the field, you send  
21 it to the field. Good, thank you. Go ahead.

22 A Manager, contract administration; manager,  
23 maintenance policies and programs; manager, integrated  
24 network development; manager, field communications;  
25 manager, operations requirements; manager -- the old



1 manager, PADC operations, now the manager of  
2 processing center operations, one of my managers that  
3 reports to me; manager, logistics; manager, operations  
4 budget and performance management; organizational  
5 design and management analyst; manager, government  
6 liaison; manager, network modeling and development.

7 Q Maybe it would have been easier to ask you,  
8 who was left out.

9 MR. ANDERSON: I'm sorry, I wonder whether  
10 we -- Mr. Presiding Officer, I wonder whether we can  
11 make an exhibit of this document, so that we can see  
12 how these AMPs are transmitted to the cross-functional  
13 evaluation team?

14 MR. TIDWELL: We have no objection.

15 MR. ANDERSON: I guess this would be APW --

16 VICE CHAIRMAN TISDALE: Okay. We can make  
17 it APW Exhibit 2.

18 (The document referred to was  
19 marked for identification as  
20 APW Exhibit 2.)

21 MR. ANDERSON: Thank you, very much. We'll  
22 provide two copies to the court reporter.

23 VICE CHAIRMAN TISDALE: Okay.

24 MR. ANDERSON: Thank you.

25 (Pause.)

1 BY MR. ANDERSON:

2 Q Sir, I want to make reference to your direct  
3 testimony now and the list of 41 AMP projects that  
4 were attachment T2 to that. We've alluded to it  
5 before.

6 Actually I'm not sure whether we need to  
7 look at another interrogatory response or not for  
8 this, but in response to another interrogatory you  
9 stated that in addition to these 41 AMPs that were  
10 begun, there were five additional AMPs begun in 2006.  
11 Do you recall that?

12 MR. TIDWELL: Counsel, it might help his  
13 recollection if you cited the interrogatory.

14 MR. ANDERSON: It's APW-USPS-T-2-1(f).

15 BY MR. ANDERSON:

16 Q Do you remember that now, Mr. Williams?

17 A Yes.

18 Q So there were five in addition begun in  
19 2006?

20 A Correct.

21 Q Thank you.

22 With reference to the Newark to DVD AMP that  
23 we referred to a few moments ago and which you're  
24 going to follow up on, it's my understanding that one  
25 has been approved and is in the process of being

1 implemented.

2 A It has been approved. It is scheduled for  
3 implementation in early 2007.

4 Q That's when the movement of mail has been  
5 scheduled?

6 A Correct.

7 Q We don't know for sure, you're going to  
8 confirm for us whether this one was initiated through  
9 END. It's possible that this is the first one  
10 initiated through END to go forward, but we don't  
11 know.

12 A We don't know. I'll follow up.

13 Q Not at this moment.

14 It's my understanding that the Postal  
15 Service had decided not to implement five of those 41  
16 AMPs on this list. That was appended to your  
17 testimony. Are you familiar with that fact?

18 A I believe there are six of them.

19 Q Okay. I have Burlington, Plattsburgh,  
20 Portsmouth, Springfield, and Utica.

21 A And I believe there is Glenwood Springs,  
22 Colorado to Grand Junction, Colorado.

23 Q We had asked in interrogatories that you  
24 produce the completed AMP studies from the five  
25 locations that I was already aware of but we were

1 informed that the studies had not been completed but  
2 they had been terminated, so the Postal Service on  
3 that basis as I understand it, did not provide us any  
4 documentation.

5 I'm having some trouble understanding the  
6 difference between being completed and being  
7 terminated.

8 The Postal Service has advised us that the  
9 studies were terminated after concerns about the  
10 feasibility of the proposals was communicated to  
11 headquarters and a consensus was reached that these  
12 proposals should not continue at this time.

13 That sounds to me like a description of what  
14 happens when management decides after studying  
15 something through an AMP that it shouldn't go forward.  
16 What's the distinction between a negative  
17 recommendation and a termination?

18 A The area office decided to terminate the AMP  
19 and those AMP proposals never made it up to the  
20 headquarters level.

21 Q Can you advise me whether or not the AMP  
22 worksheets would have been completed on those studies?

23 A I have not seen those worksheets. They were  
24 never submitted to headquarters.

25 Q Was your office advised by the Area Vice

1        Presidents where in the process the AMP studies were  
2        when they decided not to go forward?

3            A        I had a conversation with the Area Manager  
4        in plant support of the northeast area and she  
5        described the circumstances around each one of those  
6        AMPs and the reasons why they were not moving forward.  
7        I did not have a conversation with her about where in  
8        the process those AMPs stood, whether it was at the  
9        district level or at the area level.

10          Q        Do you recall today what the reasons were?

11          A        There was a concern about having mail,  
12        overnight mail, then capability of having overnight  
13        mail being turned around and maintain the service  
14        standards for that local area.

15                  There was a concern in one of the facilities  
16        about the management stability, they were having some  
17        issues with management at the receiving plant and they  
18        wanted to hold off.

19                  There was a concern with the Springfield  
20        into Hartford about the very complex service standard,  
21        complexities around service standards and they didn't  
22        feel like that could work from a service standards  
23        standpoint.

24                  Then the Utica to Syracuse, they were moving  
25        forward with two other AMPs that were moving mail into

1       Syracuse and they felt that a third one could not at  
2       this time be feasible because they were concerned  
3       about introducing too much change into Syracuse so  
4       they wanted to hold off on that one.

5               And there was one issue with capacity in the  
6       gaining facility.

7               MR. ANDERSON: Mr. Presiding Officer, I  
8       would ask that the Postal Service produce all the  
9       documentation on these six AMPs that were  
10      discontinued, or terminated at the regional or  
11      district level insofar as any documentation that would  
12      have been included in an AMP report to headquarters  
13      has been completed and used by district or Area  
14      Managers to decide to terminate those studies. I  
15      would ask that the Postal Service produce those  
16      documents.

17              The witness has testified that some of them  
18      were terminated because of transportation concerns,  
19      some of them were terminated because of service  
20      concerns, and some of them were terminated because of  
21      capacity concerns, so it seems clear that this  
22      documentation may well provide some insight into the  
23      impact of this whole process on the mail processing  
24      service in particular, impact of the END AMP process.

25              So while we don't know exactly what it's

1     going to show, obviously, until we look at it, it  
2     seems clearly relevant and I would ask that it be  
3     produced.

4                 MR. TIDWELL:  There is presently pending an  
5     APW interrogatory to which the Postal Service intends  
6     to respond by motion practice requesting the same  
7     documents.

8                 As I understand your request you're asking  
9     for documents that would support the recommendations  
10    made by the area to headquarters.

11                MR. ANDERSON:  I'm trying to be even more  
12    specific than I was I think in our pending motion,  
13    saying that in the six AMPs that have been described  
14    here by the witness as having been terminated, that  
15    insofar as AMP documentation worksheets have been  
16    completed or any other documentation that would in the  
17    ordinary course be transmitted to headquarters as part  
18    of a completed AMP that the area was recommending,  
19    insofar as any of that has been completed in any of  
20    these six that have been terminated, we request that  
21    copies of those documents be produced for examination  
22    so we can ascertain whether it may provide useful  
23    insights into why these studies sometimes show that  
24    they don't work.

25                We've been told in testimony today that the

1     ten submitted to the Commission were selected because  
2     they had no negative service impacts. These  
3     apparently, among other things, had transportation  
4     problems, negative service problems and volume  
5     problems. It would be a very interesting contrast to  
6     the ten that the Commission has before it and we think  
7     these are highly relevant.

8             I'm sorry. I'm been reminded that actually  
9     our motion to compel production of the documents in  
10    these cases was granted on ten assumption that they'd  
11    been completed, but the Postal Service responded that  
12    they hadn't been completed, they'd been terminated, so  
13    therefore they declined to produce the documentation  
14    we were looking for. So I'm revising my request to  
15    say can we have the documentation from the terminated  
16    as opposed to ten completed AMPs.

17            MR. TIDWELL: First, we don't know what the  
18    field has created in conjunction with the analysis  
19    they may have performed. The Postal Service was  
20    hoping to receive those documents very shortly to  
21    examine them. The Postal Service is concerned about  
22    disclosure of documents that may in various forms be  
23    pre-decisional, that may be incomplete, that may  
24    reflect work that was started but never completed in  
25    different contexts meaning different things, but work



1       that was never finished.

2               We don't know what states the documents may  
3       exist in. We would object to disclosure of documents  
4       that are pre-decisional in nature and that were not  
5       relied upon in making the determination.

6               The witness has identified issues that  
7       apparently led to the termination of studies. We  
8       would be willing to provide documents that were  
9       relevant to those reasons that led to those  
10      determinations. To the extent that they may have  
11      conducted analysis that went beyond those reasons they  
12      would seem to be irrelevant to the decision to  
13      terminate.

14              MR. ANDERSON: Mr. Presiding Officer, I  
15      cannot think of any sense in which these documents are  
16      pre-decisional. They've been the basis of the  
17      decision.

18              We've been advised by the Postal Service in  
19      responding to our interrogatory requesting them to  
20      produce these documents that the studies were  
21      terminated. So these are documents from files of  
22      terminated studies and they're clearly discoverable,  
23      clearly relevant. If the Postal Service wants to  
24      submit them under seal we'll take a look at them that  
25      way and then we can argue about whether they ought to

1 be made public, but the notion that they are in any  
2 sense privileged or pre-decisional is simply  
3 inaccurate.

4 MR. TIDWELL: What we would be willing to  
5 provide are documents relevant to the reasons for the  
6 termination. If the determination constitutes a  
7 decision then we'd be willing to provide documents  
8 pertinent to that decision. If there was other  
9 analysis irrelevant to the decision, irrelevant to the  
10 reasons for the termination about analysis on other  
11 issues that was never concluded, we would object to  
12 that as being pre-decisional and outside the scope of  
13 ten termination decision.

14 MR. ANDERSON: May I respond, sir?

15 VICE CHAIRMAN TISDALE: I think the idea  
16 that these are irrelevant is wrong and the full  
17 information should, whatever was developed should be  
18 produced. So once you get those documents, can you  
19 produce those?

20 MR. TIDWELL: We can. I would advise that  
21 they would be subject, I assume there could be some  
22 AMP worksheet documents of the sort that ordinarily we  
23 would make redactions for.

24 MR. ANDERSON: We have no objection to --

25 MR. TIDWELL: -- information.

1           MR. ANDERSON:  -- type of redactions they'd  
2     make in the worksheets that were provided --

3           MR. TIDWELL:  We may have to file parallel  
4     copies.  One clean and one redacted.

5           CHAIRMAN OMAS:  Mr. Tidwell, I think if the  
6     documents exist, whether they be given to us in a  
7     redacted state or whatever, I think they should be  
8     presented to the Commission if they exist.

9           MR. TIDWELL:  We have made a request and we  
10    will see what exists and see what comes in.

11          CHAIRMAN OMAS:  I would appreciate an answer  
12    tomorrow, whether or not we'll get this.

13          MR. TIDWELL:  We will provide an answer  
14    tomorrow.

15          VICE CHAIRMAN TISDALE:  Thank you.

16          BY MR. ANDERSON:

17           Q     Mr. Williams, may I ask you to refer to APW-  
18    USPS-T-2-13(a) and (b).

19                   (Pause).

20           Q     Do yo have it, sir?

21           A     T-2-13(a) and (b)?

22           Q     Yes.  In that interrogatory response you  
23    indicated that processes were being developed to  
24    provide the public an opportunity to comment prior to  
25    a decision to undertake a feasibility study and prior

1 to any decision to consolidate pursuant to a  
2 feasibility study. I'm only stating what seems clear  
3 on the face of your answer there. Is that a fair  
4 summary?

5 A I'm sorry. Could you repeat that?

6 Q Yes. I think you were saying that processes  
7 were being developed so that the public would have an  
8 opportunity to comment before a decision to undertake  
9 a feasibility study.

10 A Cr?

11 Q I'm looking at (a). We asked, "At any point  
12 prior to the decision to undertake a feasibility study  
13 or while the study is underway is the public invited  
14 to comment on the proposed study?"

15 The answer was, "While that has not been the  
16 case to date, such a process is being developed."

17 I guess our interrogatory asked you a  
18 compound question. Maybe that's our problem.

19 Were you developing a process to permit  
20 comment prior to the decision to undertake a  
21 feasibility study? I gather not.

22 A I'm sorry. Could you repeat that question?

23 Q It's almost 4:00 o'clock. It's that time of  
24 day when all this becomes really hard.

25 (Laughter).

1           Q     Was it the intention of the Postal Service  
2     to permit comment before a feasibility study is  
3     undertaken? By the public?

4           A     Before a feasibility, no.

5           Q     But during the study as I understand your  
6     answer to (a) apparently was intended to mean, that  
7     the Postal Service was developing a process so the  
8     public could have an opportunity to comment while the  
9     study is under way, is that correct?

10          A     Prior to a final decision.

11          Q     So really (a) and (b) are the same answer.  
12     It really meant sometime from the initiation of the  
13     process and prior to the finalization.

14          A     Before finalization.

15          Q     Okay. We've since received ten library  
16     reference N2006-1/12 dated June 6, 2006 which is ten  
17     AMP notification tool kit. Do you have that before  
18     you, sir?

19          A     Yes, I do.

20                 MR. ANDERSON: I'd like to distribute  
21     copies, if I may.

22                 (Pause).

23                 BY MR. ANDERSON:

24          Q     Mr. Williams, did you have a role in  
25     developing this notification tool kit?

1           A     In some parts, yes.

2           Q     What was your role?

3           A     I reviewed the earlier versions, the notice  
4 of intent, and the announcement day notification.

5           Q     The early versions of ten tool kit, the  
6 whole tool kit?

7           A     That's correct.

8           Q     Was your approval required for this?

9           A     No, it was not.

10          Q     Is this library reference tool kit, would  
11 you have had a chance to look through this tool kit?  
12 Are you familiar with it?

13          A     I am familiar with it.

14          Q     This is the current document, is it not?  
15 The Area Mail Processing notification tool kit?

16          A     I believe it is, yes.

17          Q     Is there any doubt in your mind?

18          A     I have not seen a later version than 2006 of  
19 May.

20          Q     So this is certainly the authentic document  
21 as of that date, is that correct?

22          A     That's correct.

23          Q     This is a document where those communication  
24 processes are published, is that right? The ones that  
25 you said were under development in your interrogatory

1 response?

2 A Yes.

3 Q Would you direct your attention to page 16?

4 That would appear to be a form letter used  
5 in communicating to Members of Congress quite  
6 obviously, correct?

7 A Yes.

8 Q Just reading that short form letter, I'm not  
9 asking you to read it out loud, but I'm reading it and  
10 you're reading it and hopefully the Commissioners are  
11 too, it seems to say that the study has been submitted  
12 to postal headquarters to begin the review process.

13 Now it's my understanding that that occurs  
14 after the Area Vice President has decided that the AMP  
15 should go forward and is recommending it to  
16 headquarters for review, isn't that correct?

17 A That is correct.

18 Q The next paragraph attaches a copy of the  
19 study brief and states, "We welcome public comment on  
20 the study and will hold a public meeting on a  
21 particular date at a particular location."

22 It's my understanding that that is ten point  
23 at which the public is invited to participate in this  
24 process, is that correct?

25 A The point in time that the public is invited

1 to participate in the process is after ten  
2 headquarters functional review has reviewed ten AMP  
3 package, prior to that AMP package being submitted to  
4 the Senior Vice President of Operations for a  
5 decision, then the public input meeting is scheduled.

6 Q This letter doesn't make reference to the  
7 fact that it's already been approved and then  
8 forwarded to the Senior Vice President. This says  
9 it's been sent to headquarters.

10 A At this point the package has not been sent  
11 to the Senior Vice President of Operations at  
12 headquarters.

13 Q Right. So then maybe you misspoke a moment  
14 ago. You said that the public input process occurred  
15 after it had been sent to the Senior Vice President,  
16 or did you mean to say it was before --

17 A It was before.

18 Q Okay, maybe I misheard you. Thank you.

19 Let me, if I may, direct your attention to a  
20 different library reference which is library reference  
21 N2006-1/5. These are ten redacted copies of the ten  
22 AMP decision packages that were submitted to the  
23 Commission.

24 MR. ANDERSON: I've actually prepared an  
25 excerpt from that. Ms. Wood will provide those,



1 including one for the witness please, so we can all be  
2 working from the same document.

3 We have with us in the hearing room one copy  
4 of the entire document if anybody wishes to see it or  
5 inspect it. It's 188 pages long. So out of concerns  
6 for the environment if nothing else, and our mental  
7 health, I've made an excerpt.

8 BY MR. ANDERSON:

9 Q Some of these documents, as I understand it,  
10 are form documents and will be the same with all ten,  
11 so I just extracted. I'd direct your attention to the  
12 second page, this is page two. These are paginated  
13 with stamps at the lower right hand corner. It's a  
14 188 page document. It's page two of that document  
15 which is a letter from the Vice President for the  
16 Pacific area to Mr. Paul Vogle, the Vice President for  
17 Network Operations Management at headquarters.

18 If I can have your confirmation for the  
19 record, Mr. Williams, that this is the standard  
20 transmittal letter that is used to transmit an AMP  
21 study to headquarters that the Area Vice President has  
22 decided should be forwarded?

23 A That is incorrect, actually. We don't have  
24 a standard letter to submit packages from the area to  
25 headquarters, but this letter should have gone to the

1 Senior Vice President of Operations.

2 Q Perhaps because of this letter I  
3 misunderstood. I thought when an Area Vice President  
4 refers a study to headquarters for approval that it  
5 would go first through Mr. Vogle and then it would  
6 require his approval to then be advanced to ten Senior  
7 Vice President, but I gather that's incorrect.

8 A It goes to the Senior Vice President of  
9 Operations who sends it to the Vice President of  
10 Network Operations who sends it to me.

11 Q So this is a breach of protocol, but it  
12 should have been addressed to ten Senior Vice  
13 President, but he would then send it downstairs, if  
14 you'll pardon the expression, not very far downstairs,  
15 pretty high level.

16 A And that was the whole purpose of having the  
17 ten AMPs because we hadn't done AMPs in a while. We  
18 had many people out there in the field who had never  
19 completed AMP packages and that was the purpose, to  
20 identify these issues around following the process.

21 Q If this is the worst mistake they make, they  
22 did really well.

23 Okay, but this is the letter, nevertheless,  
24 that would be ten point in time, if you'll pardon ten  
25 use of that phrase, at which the Congress people would

1 have been notified in the previous exhibit we were  
2 looking at to say this thing has been sent to  
3 headquarters, now it's time for public input?

4 A Once this letter hits my office I send the  
5 AMP package to ten functional offices that I described  
6 in the form letter. Those functional offices review  
7 the package. There's an interactive process between  
8 the AMP coordinator at the area office and my office  
9 to resolve issues with the package.

10 Then once the package has gone through that  
11 process, before the package gets presented to the  
12 Senior Vice President of Operations for his decision,  
13 then we initiate the public input process meeting.

14 Q This is after the cross-functional review at  
15 headquarters.

16 A Correct.

17 Q I see.

18 Would you look at page three, please, of the  
19 same excerpt. This I'm taking as an article of faith  
20 is a form. Am I correct, this is one of the  
21 worksheets that's standard in the AMP, worksheet one?

22 A Worksheet one, the approvals.

23 Q It appears that on this particular worksheet  
24 for Pasadena and Santa Clarita, five managers at the  
25 district level and below had signed off on June 24,

1 2005, correct?

2 A Correct.

3 Q Then the Vice President for Area Operations  
4 signed off on July 22, 2005.

5 A Correct.

6 COMMISSIONER GOLDWAY: Can I interrupt?  
7 This isn't signed because two of the signatures are  
8 the same. Two different --

9 MR. ANDERSON: Wow, somebody's wearing two  
10 hats.

11 THE WITNESS: Senior Plant Manager.

12 MR. ANDERSON: Oh, I see. Same name and  
13 same signature. Thank you. Yes. So four people had  
14 signed off on it there.

15 COMMISSIONER GOLDWAY: Three people.

16 MR. ANDERSON: Three, excuse me.

17 BY MR. ANDERSON:

18 Q The three managers below the Area Operations  
19 Vice President and the Area Operations Vice President.  
20 The Area Operations Vice President signed off on it,  
21 I'm sure not coincidentally, on the same date as his  
22 letter to Vice President Vogle. I'm just observing  
23 for the record because, I know I'm sounding like I'm  
24 belaboring a minor point here, but I want to be very  
25 clear what the steps are in the process. I thank you

1     for your explanation of the cross-functional review  
2     that occurs there at that point in the process.

3             The point I was driving at, and I'd just  
4     like you to confirm this. What seems to be obvious  
5     from this is that there were, the managers at the  
6     district and plant level approved the AMP after all  
7     these worksheets had been completed, referred it to  
8     the Area Vice President who reviewed it or had his  
9     staff review it for him, he approved it and he  
10    forwarded it to headquarters and it was subject to a  
11    cross-functional review by all those managers you  
12    mentioned, and then the decision was made to forward  
13    it to the Senior Vice President for Operations for the  
14    Postal Service.

15            A     Correct.

16            Q     It was at that point that the public input  
17    process is to be initiated, as I understand it.

18            A     The public input process was defined after  
19    the first ten AMPs. The public input process was not  
20    defined until earlier this year.

21            Q     Right, but --

22            A     We would not have subjected this AMP to that  
23    process.

24            Q     Okay, but that's the point at which it  
25    gets --

1 COMMISSIONER GOLDWAY: It didn't in the past  
2 but it will in the future.

3 THE WITNESS: That is correct.

4 BY MR. ANDERSON:

5 Q The point I was also bringing out is that at  
6 this point four managers in the field, including an  
7 Area Vice President, and probably even more managers  
8 than that at headquarters had reviewed this AMP and  
9 concluded that it had merit and sent it forward to the  
10 Senior Vice President.

11 A Correct.

12 Q So if the public input process that begins  
13 then is going to have any impact, it has to undo a  
14 decision and a recommendation that bears the signature  
15 and the reputations of all these managers. I would  
16 submit that that is not something that most managers  
17 in my experience are wont to do, which is to change  
18 their minds once they've made a recommendation to  
19 somebody that outranks them by several levels in the  
20 postal hierarchy.

21 MR. ANDERSON: I withdraw the question.

22 BY MR. ANDERSON:

23 Q Please refer, sir, to APW-USPS-T-2-15(d).  
24 Have you gotten there, Mr. Williams?

25 A I'm reading it.

1 Q Okay.

2 (Pause).

3 A Okay.

4 Q I believe you testified that your  
5 interrogatory responses would be the same as they were  
6 here so I don't want to belabor the record  
7 unnecessarily, but I just wanted to ask you to  
8 juxtapose that answer with your answer to  
9 APW-USPS-T-2-16(e). Have you got your hand on both  
10 now?

11 A Yes.

12 Q I looked from one to the other and I see  
13 that 15(d) says that customer costs are not model  
14 inputs for the END model. 16(e) says that the AMP  
15 process is not designed to consider costs incurred by  
16 mailers. So that tells me that neither the AMP  
17 process nor the END process considers customer costs  
18 or mailer costs.

19 A I am informed that the END modeling does not  
20 consider customer costs. The AMP process does not  
21 consider customer costs.

22 Q I appreciate the precision of your answer,  
23 Mr. Williams. Thank you.

24 May I ask you to go back to your list of 41  
25 attached to your testimony as T-2 please.

1 I'm informed and I wonder whether you know  
2 that four of the AMPs on that list of 41 have been the  
3 subject of townhall meetings. Is that correct? I can  
4 name the ones I think if your recollection is failing  
5 you.

6 A It would be Jackson, Tennessee into Memphis;  
7 St. Petersburg into Tampa; Sioux City into Sioux  
8 Falls; and Yakima, Washington into Pascoe, Washington.

9 Q The same list as mine. I just wanted to  
10 confirm that the townhall meetings you had in those  
11 places are the same sort of townhall meetings you'd be  
12 planning to have in other locations. Would that be  
13 correct?

14 A That is correct.

15 Q Let me ask you to refer back to this excerpt  
16 from library reference N2006 1/5, please.

17 A The reference that you put together?

18 Q That's right, the excerpt from that library  
19 reference.

20 Please look at page 24. Again, they're  
21 numbered at the lower right hand part of the page.  
22 This would be the executive summary brief from the  
23 Olympia to Tacoma AMP.

24 What I'm looking for, sir, is a passage  
25 there that states that adjustments to receipt and



1 clearance times of state agency mail, express mail  
2 collection box pickup times, and associate office  
3 retail hours will need to be pushed back. This is  
4 under the Voice of the Customer heading, I believe,  
5 the second paragraph.

6 Beginning with the second sentence in the  
7 second paragraph under the heading Voice of the  
8 Customer.

9 Again, I apologize for using a silly word,  
10 juxtapose, but I can't think of a better one right  
11 now. Let me ask you to juxtapose that with page 25 if  
12 you would. There's a summary there.

13 The fourth sentence of that summary is a  
14 very short sentence. It says, "There are no service  
15 impacts anticipated."

16 But if you compare that to the statement on  
17 page 24 which gives a litany of about four or five  
18 changes that are necessitated by this AMP, I want to  
19 ask you this question. Do these kinds of changes  
20 listed on page 24 not fall within the definition of  
21 service or service changes?

22 A I would agree that as described in this  
23 paragraph, the second paragraph under Voice of the  
24 Customer, that those would be described as service  
25 standards.

1           The reference on page 25, while I don't know  
2   who put this executive summary together, I would  
3   suspect that what that sentence really meant to say  
4   was that there are no service standard impacts  
5   anticipated.

6           Q     So it means that all the mail that would  
7   have a two-day commitment would keep a two-day  
8   commitment.

9           A     Right.

10          Q     It's been our observation that having  
11   earlier collection box pickup times and other services  
12   kinds of changes of the sort noted here crop up pretty  
13   frequently in these AMP changes that have been  
14   undertaken. Is that a fair summary?

15          A     That is not a fair summary. When you say  
16   frequent, it's a relative term. There have been some  
17   AMP packages. Most AMP packages come in with no  
18   changes. Just collection box times.

19          Q     There's no form on here any place I see that  
20   calls for those changes in collection box times to be  
21   filled in. There's no blank that calls for that, is  
22   there?

23          A     Not specifically, no. Not in the worksheets  
24   of the PO408 AMP process.

25          Q     The focal point I think you'll agree with me

1 of the AMP study process, if there is one on service,  
2 it's service standards meaning how many days it takes  
3 to deliver first class mail, isn't that correct?

4 A Not entirely. I believe if you go to the  
5 library reference, USPS LR N2006 1/3, the guidelines  
6 of PO408, I believe there is a section in Worksheet 8.  
7 This is a revised Worksheet 8 that describes customer  
8 service impacts.

9 Q Pardon me, sir. Is this part of library  
10 reference 1/5? Or is it some other library reference?

11 A 1/3, where there is an opportunity to  
12 describe in detail any downgrades to services for  
13 other mail classes.

14 Q Let me take a look, if I may.

15 (Pause).

16 Q Sir, what are you referring to that calls  
17 for a description of earlier collection times?

18 A There's just a blank space for descriptions  
19 of other customer impacts. It's just an opportunity  
20 on the worksheet to describe those impacts. While we  
21 don't have a specific place for collection box time  
22 changes, there is an opportunity to describe other  
23 service impacts on Worksheet 8.

24 Q I see a heading that says "Explain in detail  
25 any downgrades to services for other mail classes."

1 That would seem to me to be like the reference to the  
2 first class service standards calling for a very  
3 specific type of information, not mailbox collections.

4 A Right.

5 Q Then below that, customer comments. But  
6 that doesn't call for collection box times, either,  
7 unless customers happen to comment on that.

8 A That's correct.

9 Q But the public communication process will  
10 not have been begun when this form is filled out.

11 A That's correct. But there is an opportunity  
12 to provide customer feedback once customers on  
13 Worksheet 3 and the stakeholders on Worksheet 3 are  
14 notified on the intent to conduct an AMP feasibility  
15 study. Certainly the impact we receive or the  
16 comments we receive from those stakeholders could be  
17 noted on the AMP package prior to the package being  
18 submitted up to headquarters for review.

19 Q Would it surprise you if I told you I found  
20 that in three of the ten AMPs that you submitted,  
21 there were service impacts of the sort that I've  
22 pointed out with regard to Olympia to Tacoma, such as  
23 collection box times.

24 A Collection box time changes.

25 Q Would that surprise you that 3/10 of them

1 had that noted on them?

2 A Yes, it would surprise me.

3 Q If there were others that they just didn't  
4 happen to note because they didn't think to note it,  
5 that would surprise you even more, I suppose, because  
6 there would be more of them.

7 A Yes.

8 Q But you would agree with me, wouldn't you,  
9 that the pattern we see in these ten AMPs, the pattern  
10 of change is that collection mail that used to be  
11 processed nearer where it was collected is now being  
12 processed farther away from where it's collected. Not  
13 a lot farther. Twenty miles or so.

14 A In aggregate, yes. You may have some  
15 offices on the fringe of a service area that may be  
16 closer.

17 Q But none of the mail -- Say the  
18 consolidation is from Facility A to Facility B. None  
19 of the mail from B is going back to A. It's all going  
20 from A to B, is that correct?

21 A Say that again.

22 Q Mail is being consolidated by being, instead  
23 of being processed at Facility A, it's being processed  
24 at Facility B.

25 A Right.

1           Q     I inferred that the reason it was being  
2     processed in Facility A in the first place is that the  
3     collection boxes were closer to Facility A than they  
4     are to Facility B. Isn't that a fair assumption?

5           A     In most cases I would agree.

6           Q     In the aggregate. That's what you meant by  
7     in the aggregate.

8           A     Right.

9           Q     I'll take that as a standard for  
10    communication here.

11                     So on the average, the mail is being  
12    transported farther for mail processing.

13          A     I would agree with that statement.

14          Q     It seems logical to me that, it wouldn't be  
15    too surprising to me that they would have to pick it  
16    up earlier in order to get it 20 miles down the road  
17    and get it distributed and back out for delivery  
18    again. It would seem to me, I'm arguing with you,  
19    sir, and if you don't want to argue you just tell me  
20    no --

21          A     I would like to give you some insight.

22          Q     Please do.

23          A     Because we've got excess capacity in our  
24    facilities, because we've introduced technology in the  
25    form of optical character readers and very very high

1 speed automation, because we have the equipment that  
2 provides us much greater depth of sort in our  
3 distribution operations, all those technology changes  
4 have decreased the cycle time, that is that time that  
5 it takes to process mail. We process mail much much  
6 faster to greater depths of sort in our facilities,  
7 and you couple that with the very significant  
8 decreases in single piece first class mail, the fact  
9 that we've got tremendous excess capacity in our  
10 originating operations because our mailers are  
11 dropping deeper and deeper into our system. It's that  
12 operating window that has traditionally been full of  
13 mail with much slower equipment. All those factors  
14 combined have created a great opportunity to have mail  
15 come in later and still allow us to get greater depth  
16 of sort much quicker and to be able to meet the  
17 operating plan of that facility.

18 It doesn't mean that we've got to change  
19 collection box changes. We're leveraging technology,  
20 taking advantage of the excess capacity to process  
21 this mail within the boundaries of the operating  
22 plans.

23 Q All those wonderful changes you described,  
24 though, don't happen overnight. At the moment in time  
25 when they implement an AMP, those are all in place,

1 correct? They don't just all of a sudden put the  
2 machinery in there day one and day two they bring the  
3 mail.

4 A Those technology changes that I've discussed  
5 have been occurring over many many many years.  
6 Certainly you follow the history of ten decline in  
7 first class mail since 1998, we've dropped over 11  
8 billion pieces of first class single piece mail.  
9 We've got a lot of excess capacity out there. So that  
10 has not occurred overnight.

11 Q And the collection box times are established  
12 for Facility A to meet Facility A's mail processing  
13 needs I assume, isn't that correct?

14 A That is correct.

15 Q And Facility A has, presumably, its share of  
16 all that high tech equipment as well, isn't that  
17 correct?

18 A Yes.

19 Q It also seems to us that there's a pattern  
20 here that, in these AMPs that we've seen, that ten  
21 collection mail is being transported for processing  
22 elsewhere while work-shared mail is not being  
23 transported for processing elsewhere. Does that tend  
24 to be the pattern?

25 A It's typical of the pattern if the work-



1 share is prepared for the service area for that plant  
2 and its role. So if we have a plant that has a  
3 designating role and the mail is prepared, pre-sorted  
4 to that service area, then yes, that mailer work-share  
5 volume would stay in Plant A instead of going to Plant  
6 B.

7 Q It's also our impression that the bulk mail  
8 entry units are being maintained at these plants,  
9 notwithstanding the fact that all of the collection  
10 mail is being sent elsewhere. The BMEUs are being  
11 kept there, is that correct?

12 A That has been the case so far.

13 Q I was going to ask you about post  
14 implementation reviews, but I think Mr. Shah testified  
15 about that.

16 Generally there seems to be a dearth of  
17 post-implementation reviews and I'm wondering whether  
18 that process is going to be stepped up.

19 A Absolutely it's going to be stepped up.  
20 When I was appointed the Manager of Processing  
21 Operations we created, we restructured my  
22 organization. That was the changes I made earlier.  
23 We created a Network Alignment Implementation Group  
24 and part of that group will be to ensure that the  
25 post-implementation reviews go through a very rigorous

1 process.

2 Q I understand that the post-implementation  
3 reviews for the 2004 AMPs are at headquarters now?  
4 Already been completed and are under approval at  
5 headquarters?

6 A They are undergoing cross-functional review.

7 Q Does that process include then a report to  
8 the Senior Vice President after following that review?

9 A Yes.

10 Q In the post-implementation review process, I  
11 don't think there's any provision in that process for  
12 public input, isn't that correct?

13 A That is correct.

14 MR. ANDERSON: I don't have any other  
15 questions. Thank you very much, Mr. Williams.

16 THE WITNESS: Thank you, Mr. Anderson.

17 VICE CHAIRMAN TISDALE: Thank you, Mr.  
18 Anderson.

19 MR. ANDERSON: I'm sorry, Mr. Presiding  
20 Officer. I move that library reference N2006 1/5 not  
21 be transcribed in the record but be deemed to be a  
22 part of the record for reference by the parties in  
23 their briefs to the Commission. It was in part the  
24 basis of Mr. Williams' interrogatory responses and in  
25 part the basis of his testimony and I think it would

1 be a useful document for the record and a highly  
2 pertinent document for the reasons the Commissioners  
3 have heard in Mr. Williams' cross-examination here  
4 today.

5 MR. TIDWELL: The Postal Service would add  
6 that it's been referenced and cross-referenced in so  
7 many interrogatory responses that one can't help but  
8 deem it as incorporated by reference by those  
9 interrogatory responses.

10 MR. ANDERSON: Thank you, Mr. Tidwell.

11 VICE CHAIRMAN TISDALE: Either way we can go  
12 ahead and incorporate it in the record. It will not  
13 be transcribed.

14 MR. ANDERSON: Thank you, sir.

15 VICE CHAIRMAN TISDALE: Since it's already  
16 4:30, before we start with Mr. Richardson I think we  
17 should actually adjourn for the day. We will begin  
18 tomorrow morning with Mr. Richardson.

19 CHAIRMAN OMAS: Before we adjourn, Mr.  
20 Tidwell, I do want to remind you that we would like  
21 some type of answer tomorrow on any of the documents  
22 that exist, whether they have to be shown in closed  
23 session or in camera or whatever, we'd like to see  
24 them. They must exist somewhere, so I'd like some  
25 type of answer tomorrow as we begin the hearings.

1                   MR. TIDWELL: Yes, Mr. Chairman. We put in  
2 a request for them last week. My colleague, Mr.  
3 Field, during Mr. Williams' cross-examination made  
4 another call to make sure that we had them available  
5 for examination at headquarters tomorrow. We'll be  
6 able to give you a status report on them at some point  
7 tomorrow.

8                   CHAIRMAN OMAS: Thank you very much.

9                   VICE CHAIRMAN TISDALE: If there's anything  
10 else we need to address?

11                   (No response).

12                   VICE CHAIRMAN TISDALE: Okay, then this  
13 hearing is adjourned until 9:30 tomorrow morning.

14                   (Whereupon at 4:30 p.m. the hearing was  
15 adjourned, to reconvene at 9:30 a.m. on Wednesday,  
16 July 19, 2006.)

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REPORTER'S CERTIFICATE

DOCKET NO.: N2006-1  
CASE TITLE: Evolutionary Network Development  
HEARING DATE: 7/18/06  
LOCATION: Washington DC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the *Postal Rate Commission*

Date: 7/18/06

Bernadette J. Huber

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